ENTERING THE VIETNAMESE TEXTILE AND APPAREL CONSUMER MARKET

Case: Marimekko

LAB UNIVERSITY OF APPLIED SCIENCES LTD
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Abstract

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Abstract

The research aims to develop a market study regarding the Vietnamese apparel and textile industry to find out whether Vietnam is a potential market for Marimekko to enter. A market study aids the company in understanding the target market in order to form the right decisions and suitable strategies for entry.

Both quantitative and qualitative methods were employed in the research and both secondary and primary data were collected to support the study. Books, journals, articles, and reports are sources of secondary data, while direct interviews and questionnaires are sources of primary data for the thesis.

The study was created by analyzing the macro-environment, the current situation of the industry and the important elements of the target market including competitors and consumers. PESTLE and Porter’s Five Forces were used as the research models to find the answers.

The study results show that Vietnam is a potential market to Marimekko despite a significant degree of rivalry as well as a low level of brand perception. However, a more in-depth study of the market and more researches on product development for the target market should be conducted before entry to ensure a successful outcome.

Keywords

Marimekko, Vietnam, consumer market, textiles, apparel

CONTENTS

1 INTRODUCTION

1.1 Thesis Background

The author had the opportunity to come to Finland for the first time in 2016 to pursue further education. Living and studying in the country, the author gradually fell for its rich culture, its unique language, and its spectacular landscapes of the aurora. But more than anything, it was impressive to the author how this little nation in the Nordic, with the population of just over five million, could bring its brands beyond its borders and succeeded in international markets. Marimekko is one prominent example.

The author started to notice the presence of Marimekko everywhere in Finland during her very first months of living in the country. The brand’s unique style of brick and mortar stores are on every major city. It seems that every Finn owns at least one Marimekko product. It may be a dress, a bag, or a purse with the familiar and easy-to-recognize patterns of this brand. When traveling overseas, the author noticed the global collaborations Marimekko had with many big popular brands such as Banana Republic, Target, Clinique, H&M and Uniqlo. It is undeniable that within only the recent decade, Marimekko has increased its global visibility immensely and successfully.

The presence of Marimekko is everywhere from Europe to Asia and America. In Asia, Marimekko has many stores in Japan, Singapore, South Korea, Taiwan, Thailand, and China. However, Marimekko has yet to have its first store in Vietnam even though its partner, Uniqlo, has been active in this market since December 2019 (Vietnam Insider 2019). Therefore, the author was motivated to start this research to find out whether the Vietnamese textile and apparel market is promising to Marimekko.

It takes a lot of time and effort for an organization to research and make a decision to enter a new market. Then, that organization must make a plan on how it will enter the new market. In addition, it will need to consider most importantly a strategy that will help it first survive and then thrive sustainably in that market among other big and small, local and international competitors. Otherwise, it will cause the company to waste not only its time and efforts, but also the monetary investments it makes to enter and exit from the market. Thus, performing a market study is a crucial step for any organization to take when making an informed decision on entering any new international market. The research will provide Marimekko with a clear panoramic view of the Vietnamese market, which may help them somehow on their way of global market expansion.

1.2 Research Objectives, Research Questions, and Limitations

Research Objectives and Research Questions

No businesses want to fail. Therefore, to avoid unwanted consequences, Marimekko needs to carry out a market research before stepping into the Vietnam market. Doing this helps the company evaluate the potential of the market through analyzing aspects such as Vietnamese culture, the current situation of the country, future forecast, market demand, social trends, etc. Hence, the research objective of the thesis is to develop a market study of Vietnam for Marimekko. It serves as a reference for the company when considering whether or not to enter this dynamically developing southeast Asian country – Vietnam. Thus, the research questions are formed to help the thesis achieve its objectives.

The main research question is: Is Vietnam a potential market for Marimekko?

Research sub-questions are created in order to find the answer to the main question:

- Sub-question 1: How competitive is the target market?
- Sub-question 2: What is the volume of demand?
- Sub-question 3: Does the target customer group welcome the presence of Marimekko in Vietnam?
- Sub-question 4: What are the entry barriers?
- Sub-question 5: What are the risks when entering this market?
- Sub-question 6: What are viable strategies for Marimekko to enter the market?

Answering these questions will help Marimekko understand more about this market, its pros and cons, its dos and do nots. Then, based on what has been studied, the company can make the right decision and develop an effective plan for entering this market.

Research Scope and Limitations

This thesis aims to develop a study regarding the Vietnamese apparel and textile industry for Marimekko. Thus, the author chose Vietnamese people as the target group for the research. This group consists of people from 16 to 65 years old of both genders, but mainly women. The research's geographical scope is Ho Chi Minh city, Hanoi, and some other cities within Vietnam.

Research papers always have limitations. An online survey was chosen to be one of the data collection methods for empirical research. As a result, young adults are more active on social media than middle-aged and older adults, it leads to the fact that the age groups of the responders do not distribute equally. Hence, the findings mostly reflect the study of

Vietnamese under 35 as the majority of the respondents. Being aware of this restriction, the author designed several interviews reaching Vietnamese ladies in their 30's to 60's. Unfortunately, due to the corona pandemic only five interviews were conducted. Lastly, the thesis is created to develop a market analysis. Thus, there are recommended strategies, but a business plan do not happen as an output of the thesis.

1.3 Research Methodology and Data Collection

Research Approach

Induction and deduction are the two available research approaches. The inductive approach starts with observations and moves toward more extensive generalizations and theories. That is why this approach is unofficially named the "bottom-up" approach and its illustrated diagram is named "hill-climbing". In contrast, the deductive approach begins by studying an existing theory, goes down to more specific details and then comes up with a final confirmation. For that reason, this approach is also informally called the "top-down" approach and its step-by-step graph is called "waterfall". (Burney 2008.)

The suitable approach for the research is determined by two elements: the research's nature and the amount of time available for conducting the research (Saunders, Lewis & Thornhill 2012, 148). The purpose of this research is to analyze a market and determine its potential as a conclusion. What is more, the timeframe of carrying this study out is approximately three months. For these two characteristics, deductive reasoning is appropriate for this thesis. The research approach is illustrated in Figure 1 below.

Figure 1 Deductive research approach (adapted from Burney 2008)

Research Methodology

According to Saunders et al. (2012, 162-164), the two dominant methods of research are qualitative and quantitative. Qualitative method starts with observations and analyzes facts to form a theory. Contrarily, the quantitative method starts with a theory which it then tests for the precision of the hypothesis. (Newman & Ridenour 1998, 3.)

For qualitative research, oral information is commonly gathered. Usually, data is produced from interviews, direct observations, investigation of artifacts, papers and cultural documentations, visual records and individual experiences. (Stumpfegger 2017.) For quantitative research, numeric information is normally collected through structured interviews, surveys, observations, records, and documents. Unlike qualitative methodology, quantitative research focuses on the information's broadness across a significant number of cases instead of its depth on a smaller number of cases. (Oak Ridge Associated Universities 2020.)

The thesis objective is to determine if Vietnam is a promising market for Marimekko. Data collected for the research includes people's interests and behaviors regarding fashion trends, apparel shopping, and personal expenses on clothing. For example, how much they are willing to spend on shopping per month, or what kind of clothes they normally buy. This data collection procedure involves both text and numeric data. On the other hand, existing reports and statistics are also accessed to obtain figures and literal data. Accordingly, both qualitative and quantitative methods are applied in this thesis.

Data Collection

There are two basic types of data which are primary and secondary data. Primary data is new data that the author collects directly through the research. Secondary data, on the other hand, are sources that are have been already published or created by other people. (Kovalainen & Eriksson 2008, 77-80.)

According to Saunders et al. (2012, 304-305), primary data collection includes face-to-face interviews, emails, phone calls, questionnaires, web-based surveys, emails or mails, the researcher's observations, etc. Secondary data collection involves sourcing from books, articles, journals, or reports.

Based on the above information, this thesis includes primary as well as secondary data. To collect primary data to support the study, a number of direct in-person interviews and online survey were made with the target consumer group. To collect secondary data, published hardcopy and digital versions of books, reports, journals, articles, dependable online sources and knowledge from prior lectures were referred.

1.4 Thesis Structure

The below Figure illustrates the structure of this thesis with each chapter described briefly.

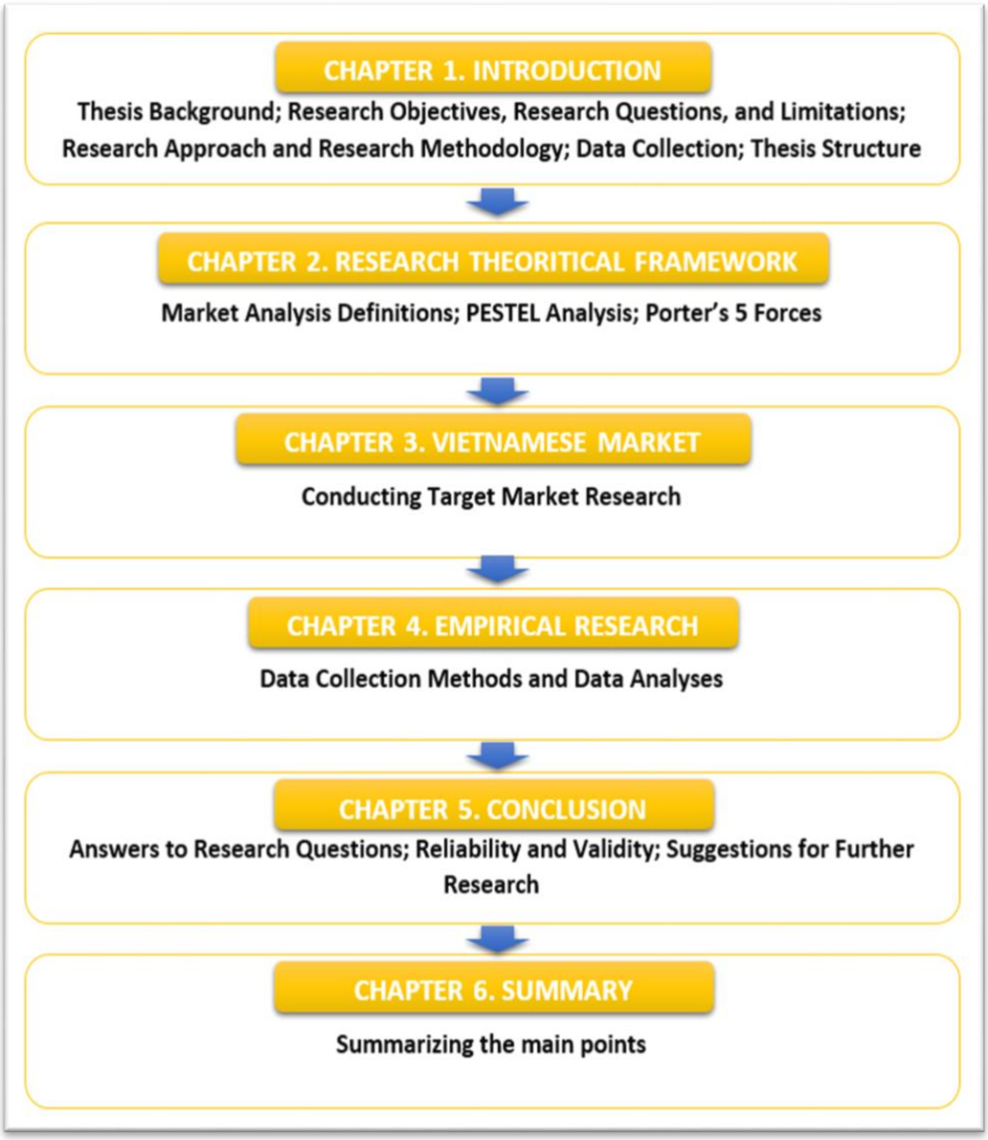

Figure 2 Thesis structure

Chapter 1: demonstrates the basic of the thesis. The first subchapter shows the factors that inspired the author to form the idea of starting this market analysis. The next subchapter presents the questions, the objectives, and the limitations of the research. Next, the research approach and methods of conducting the study are described. The last two subchapters respectively show the data collection methods applied in this study and the thesis structure.

Chapter 2: entails all the relevant theories that serve as a cornerstone when conducting a market analysis. Chapter 2 begins with the definitions of market analysis. And then, the two following chapters give a detailed description of the theories that are used in the thesis, namely PESTLE analysis and Porter's Five Forces.

Chapter 3: is about the market analysis. In this chapter, a study of the Vietnamese apparel and textile market is generated using secondary data collected from trusted internet sources, reports, articles, and published books. The market analysis outline is developed based on the author's idea and consultation with the thesis supervisor, and general knowledge obtained from readings and lectures. The chapter starts with a sub-chapter giving an overview of Vietnam. The macro and microenvironments of the Vietnamese apparel and textile industry are then analyzed using the two analysis models mentioned in the theoretical chapter. Subsequently, the following-up chapter gives a closer look at the apparel and textile industry of the target market by discussing critical factors that need to be taken into account before entry.

Chapter 4: briefly introduce the company then describes the research's data collection procedure and data analysis. To begin with, Marimekko's history, products and goals are introduce. Then, the second sub-chapter provides the theories and facts relating to data collection methods employed in this thesis. The third sub-chapter analyses the data collected. Both qualitative and quantitative methods are utilized to collect primary data for this research, with interviews representing the qualitative research method and questionnaire representing the quantitative one.

Chapter 5: concludes the thesis by declaring the findings to the research questions. The reliability and validity of the thesis as well as suggestions for further study are also presented.

Chapter 6: is the summary chapter which recaps all the important points of the thesis.

2 RESEARCH THEORETICAL FRAMEWORK

2.1 Market Analysis Definition

Market analysis plays a major role in market research and is a vital element of a business plan. Merriam-Webster (2020) defines market analysis as a component of marketing research that is carried out to identify the nature and the size of a specific market. A market analysis usually comes in the form of a report that assists companies in gaining more understanding of a target market or industry. Based on the outcomes of the analysis, the market's opportunities and threats are addressed, providing the ground for decision-making with which companies can access the the target markets. (IONOS 2018.) Market analysis is useful for businesses that are planning to enter a new market. Basically, by using market analysis as a tool to evaluate the new market, the enterprises can determine whether their new business venture will be a smart move. (Bush 2019.)

Market analysis offers a complete picture of the target market. It helps organizations detect a market's attractiveness, its current and future risks, discuss the industrial outlook of the market, analyze the competitions, and determine cultural and legal legislations. (Tanner 2020.)

2.2 PESTLE Analysis

PESTLE analysis is a situational analysis tool among the most frequently applied models for assessing the business macro environment (Gupta 2013, 13). PESTLE is also known for entailing smaller approaches such as PEST, PESTEL, PESTLIED, and STEEPLE (Cadle, Paul & Turner 2010, 3). PESTLE is the acronym derived from the following: Political, Economic, Social, Technological, Legal, and Environmental, Figure 3 (PESTLE Analysis 2020). In order to eliminate inefficiency in the process of forming decisions on the base of the results derived from the analysis, limitations should be made-known (Perera 2017, 3).

External factors are identified opportunities and threats in SWOT analysis, thus when using PESTLE, companies should focus on clarifying external factors instead of thinking of ways to solve the circumstances. (Cadle et al. 2010, 5.) Using the PESTLE model as a tool to evaluate the market and the industry before venturing into a new market, a business can then explore market conditions and build the implementation plan based on the findings (Perera 2017, 5).

Figure 3 PESTLE Analysis (Nutsen 2019)

- Political

Political factors are related to governmental decisions that leave impacts on the economy or industry. For instance, legislations and fiscal policies, as well as trade tariffs and trade conflicts. (The University of Sydney 2020.) In other words, the political environment is the extent to which the government intervenes in the economy (University of Minnesota 2020) such as by raising taxes on imported goods in order to promote domestic goods consumption.

- Economic

Economic factors have direct effects on a company which may last for a long time (PESTLE Analysis 2020). These factors consist of economic growth, interest rates, exchange rates, and inflation rates (University of Minnesota 2020). For example, a company's product prices may increase in conjunction with a surge in inflation. Economic factors can also be divided into macro and micro-economic factors. Macro-economic factors concern the management of demand in an economy. Micro-economic factors deal with the way people spend, and specifically have a significant impact on B2C businesses. (Professional Academy 2020.)

- Social

Social factors, also called socio-cultural factors, refer to the common beliefs and attitudes of a community (Professional Academy 2020), ranging from consumer demographics to culture and lifestyle (Investopedia 2019). Specifically, they involve health awareness, population growth, age distribution, career attitudes, and safety consciousness. Consumer's tendencies as influenced by social factors bear upon the market demand for a company's products and services. (University of Minnesota 2020.) For example, a company may need to change or stop the way it uses laboratory animals for testing a certain product if the community is having a serious attitude toward animal testing. (Postlewhite 2018.)

- Technological

Technological factors are concerned with research and development, automation, technology innovations, and the speed of change in technology (University of Minnesota 2020). In other words, technological factors are technological changes and their applications in various fields, industries, and research (Investopedia 2019). They influence businesses through the development of new means of communicating with target markets, and new methods of producing and distributing goods and services (Professional Academy 2020).

- Legal

Businesses need to understand the legal aspects of the market in which they are operating so as to succeed in trading because different countries have different standards and regulations. All factors relating to health and safety, equal opportunities, consumer rights and laws, advertisements and product labeling are included in this category. (Professional Academy 2020.)

- Environmental

Environmental factors are factors related to weather, climate change, geographical location, environmental offsets. They have vital effects on industries such as farming, tourism, agriculture, etc. (PESTLE Analysis 2020.) These factors have increasingly become crucial in the last two decades, given the growing scarcity of raw materials, contamination issues, demand for more ethical and sustainable operations, and carbon emissions targets set by the governments (Professional Academy 2020).

2.3 Porter’s Five Forces

Porter’s Five Forces is a model that was developed by Harvard Business School professor Michael E. Porter. As shown in Figure 4, the model consists of five threatening elements - powerful buyers, powerful suppliers, potential new entrants, substitute products, and degree of rivalry. According to Porter, the structure of all industries is pillared by these five forces. They also determine the rules of a competition and the primary causes of profitability for an industry. (Porter 2008, 78-93.)

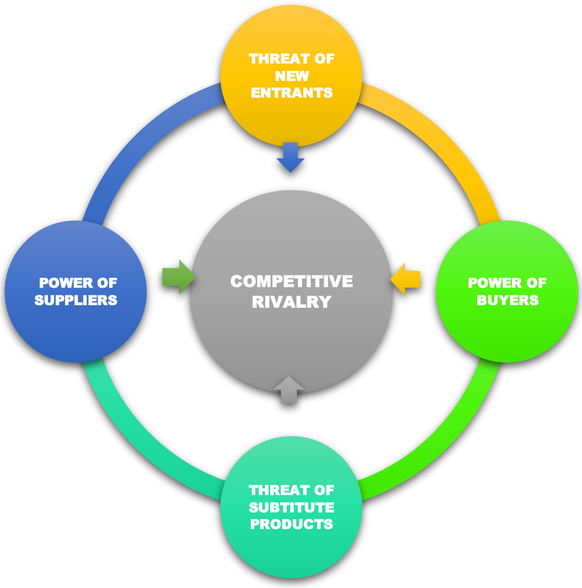

Figure 4 Porter’s Five Forces (adapted from Porter 2008, 78-93)

- Rivalry Among Existing Competitors

This force represents the quantity of rivals existing within an industry and their power to surpass one another. The more competitors, the more diverse the ranges of products and services offering available, the less power a company has. On the contrary, the lower the degree of rivalry, the bigger the power a company has, for example, to set higher prices and customize conditions of trade agreements to reap more profitability. (Porter 2008, 78-93.)

- Threat of New Entrants

This force represents the threat posed by potential new entrants into the market. Peculiarly, new entrants with relevant proficiencies and a strong financial bases can take advantage of their available resources to compete. (Porter 2008, 78-93.) The current position of a company may be weakened substantially if the time and money required to enter a market are low and vice versa. In other words, an ideal market for companies to operate in is a market with strong barriers to entry. (Chappelow 2020.)

- Bargaining Power of Suppliers

The third force comes from suppliers in terms of the amount of suppliers providing main inputs of goods or services, the peculiarity of these inputs, and the costs of switching from one supplier to another. Thus, a company would depend greatly on a supplier if there are only a few available suppliers in the industry. Consequently, the supplier would have a greater power to control the prices and other aspects of the trade arrangements. For example, prices would be charged higher or product and service quality would be inadequate. The profitability of an industry can be limited when the suppliers are more powerful. In contrast, the more suppliers there are in an industry or the lower the costs of switching suppliers, the more power a company holds over the costs of inputs and the margins of their profits. (Chappelow 2020; Porter 2008, 78-93.)

- Bargaining Power of Buyers

The next factor that has effects on an enterprise is the power buyers have when it comes to decreasing prices. The strength of this force depends on the number of buyers existing in a market, the significant of each customer, and the costs to attract new customers and to market its products or services. When a company has a small but powerful customer base, these customers have greater power to bargain for cheaper prices and better deals. On the other hand, when a company has a large but independent customer base, the company has the power to control the prices in its best interest. (Chappelow 2020.) Power of buyers is considered to be the counterpart of power of suppliers because it can push companies to lower prices and provide better quality and service (Porter 2008, 78-93).

- Threat of Substitute Products or Services

The last force is the threat of substitute products or services, meaning products or services that can replace a companies' available ones. A company's power could decrease if its customers have the options to choose from identical or near-identical alternatives offered by other companies in the market. By contrast, when a company's products or services are unique and have no close substitutes, its power over the prices and favorable terms would increase. (Chappelow 2020.) The profitability of a company would be limited by ceiling prices established by substitute products or services. If a company does not constantly prop itself up by employing good marketing practices and enhancing product performance among other possible operational upgrades, its profitability and growth potential will be badly impacted. (Porter 2008, 78-93.)

3 VIETNAMESE APPAREL AND TEXTILE MARKET STUDY

3.1 Vietnam Overview

With a land area almost equal to that of Norway, Vietnam is a small country with a population of over 98 million (Countrymeters 2020). It is situated in southeast Asia, bordering three countries - Cambodia, Laos, China, and two seas - the South China Sea, and the Gulf of Thailand. Hanoi is the country's capital city, but the biggest city is Ho Chi Minh City which is also known by the name Saigon (Image 1).

Having been frequently invaded by China from the Third Century until XX Century after its expansion into the south, Vietnamese history and culture have been greatly influenced by the Chinese. After the end of the civil war between the north and south in 1975, the whole country has been governed by the Socialist Republic Party until today. (Jamieson, Hickey, Duiker, Buttinger, Osborne & Turley 2020.) This is the only political party the country has.

Image 1 Vietnam (Vietnam Maps 2020)

Vietnam is ranked 115th out of 190 countries around the world with a score of 85.1 for ease of doing business for 2020, surpassing Malaysia at 126th with 83.3, Indonesia at 140th with 81.2, and Laos at 181st with 62.7 (Doing Business 2020).

In 2019, Vietnam was ranked 42nd out of 129 countries in the world on the Global Innovation Index (GII) by the World Intellectual Property Organization. Last year was also the first year Vietnam ever achieved this ranking. The GII positions countries by evaluating 80 factors including both traditional and modern measurements such as international patents or mobile application creations. (Vietnam Investment Review 2019.)

According to a report from Transparency International (2020), in 2019, Vietnam was ranked 96th out of 180 countries in the world for corruption level with a score of 37 on 100, in which 0 is highly corrupt and 100 is very clean. This was an improvement for the country seeing that it was granted the score of 33 in 2018 and 35 in 2017.

Since the establishment of the Socialist Republic after the reunification in 1975, Vietnam has not experienced any critical riots against the political system. There was only a few disturbances in recent years such as the anti-China protests in the lower center of Vietnam in 2014 (Hodal & Kaiman 2014) and the mass protests against the government’s cybersecurity law which required international media companies like Google and Facebook to situate their local offices in Vietnam and store all data relating to Vietnamese users within the country (Nguyen & Boudreau 2018). However, these riots were extinguished quickly and at times violently by the government following their eruptions. The freedom of speech, press, and access to international information in Vietnam is limited. Any operations of establishments dedicated to human rights, independent labor, and politics are banned in Vietnam. (Human Rights Watch 2019.) In general, Vietnam and its citizens are completely controlled by the government. Freedom House, the US government-funded rights group, has indicated that Vietnam is one of the harshest environments for media in Asia and declared the status of press freedom in Vietnam as “not free”. Indeed, Vietnam was ranked 176th among 180 countries in the world by World Press Freedom. (Ghani 2019.) In short, foreign businesses need to acknowledge the media regulations of the country in order to avoid any unexpected consequences while doing business there.

3.2 PESTLE Analysis of the Business Environment in Vietnam

In order to understand in depth the textile and apparel industry in Vietnam, a study of the business’s surrounding environment is necessary to be conducted beforehand. By using the PESTLE model, this sub-chapter analyses the business macro-environment in the country. Here the author presents relevant factors with thoroughness and a focus on the impacts they have on international enterprises operating in Vietnam.

- Political

All companies and individuals selling goods and services for commercial purposes are required to pay tax. In 2020, Vietnam’s Corporate Income Tax (CIT) rate is set at 20% - the fifth year in a row. This is the lowest rate in 20-year-period. The amount companies are charged with for CIT depends on their net income in a fiscal year. (Trading Economics

2020a.) Figure 5 shows more details of the tax rate Vietnam has had for each year from 2000 to 2020 and is forecasted to have for the next three years.

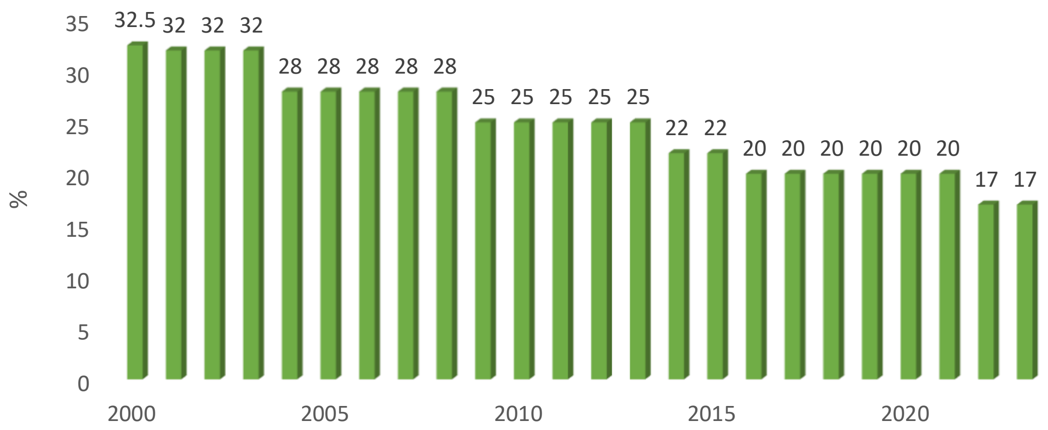

Figure 5 The Corporate Tax Rate in Vietnam 2000-2020 (adapted from Trading Economics 2020a)

Business License Tax (BLT) is an indirect tax. It is applied to all businesses, organizations, and individuals – both domestic and foreign, that engage in the country's business activities. The tax is required to be paid annually. The total amount depends on the company's registered capital as listed on their business registration certificates. (Samuel 2020.) Table 1 shows the amount of BLT rates per year for businesses in Vietnamese Dong (VND).

Table 1 Business License Tax (BLT) Rates for Economic Entities (Samuel 2020)

REGISTERED CAPITAL (BILLION VND)	BLT / YEAR (VND)
Over 10	3,000,000
Under 10	2,000,000
Branches, representative offices, business premises, public service providers, other business entities	1,000,000

All products and services used with the purposes of production, trading, and consumption are subjected to Value Added Tax (VAT) in Vietnam. Imported goods are required to pay not only VAT but also import duties to the customs authorities. (PwC Vietnam 2019a.) The following Table 2 and Table 3 indicate the VAT rates and the formula to determine the VAT payable amount, respectively.

Table 2 VAT Rates in Vietnam (adapted from PwC Vietnam 2019a)

RATE	Applicability
0%	Goods and services exported or sold to non-tariff zones, goods sold to duty-free shops, and other exported services.
5%	Goods and services belong to the follow categories: Clean water; teaching aids; books; unprocessed foodstuffs; medicine and medical equipment; husbandry feed; various agricultural products and services; technical/scientific services; rubber latex; sugar and its by-products; certain cultural, artistic, sport services/products and social housing.
10%	Other goods and services.

Table 3 VAT payable amount calculation (adapted from PwC Vietnam 2019a)

Determination of VAT payable	
Annual revenue from 1 billion VND	VAT payable = Output VAT – Input VAT
Annual revenue of less than 1 billion VND	VAT payable = Value added of goods or services sold x VAT rate

- Economical

After the application of a series of political and economic reforms dubbed “Đổi Mới” in 1986, Vietnam has changed significantly in all aspects. From 2002 to 2018, 45 million people were lifted from poverty. The proportion of national poverty decreased from more than 70% to under 6%. Gross Domestic Product (GDP) per capita grew 2.5 times stronger, recording at 2500 USD in 2018. (World Bank 2019a.) Figure 6 demonstrates the growth in Vietnam’s GDP in a 25-year-period between 1995 and 2019, as well as a forecast for 2020.

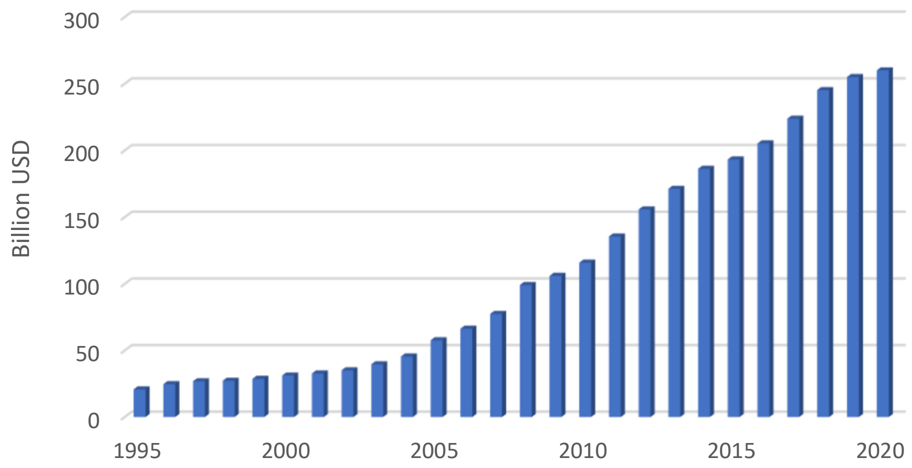

Figure 6 GDP of Vietnam 1995-2020 (adapted from Trading Economics 2020b)

In June 2019, the government of Vietnam together with the Euro Commission signed the EU-Vietnam Free Trade Agreement (EVFTA) and the Investment Protection Agreement (EVIPA) in Hanoi. These accords eliminate some existing limits to trade and investment collaboration between the two parties. The EVFTA has been considered to be the most promising free trade agreement that the Euro Commission has ever signed with a developing country like Vietnam. (PwC Vietnam 2019b.) However, textile companies in Vietnam were unable to immediately receive the fully tax deductions granted under this agreement since the tax rate is decreased gradually from 12% to 0% in a span of three to seven years (PN 2019). Figure 7 below depicts the timeline for Vietnam's integration with the global economy from 1986 to 2019.

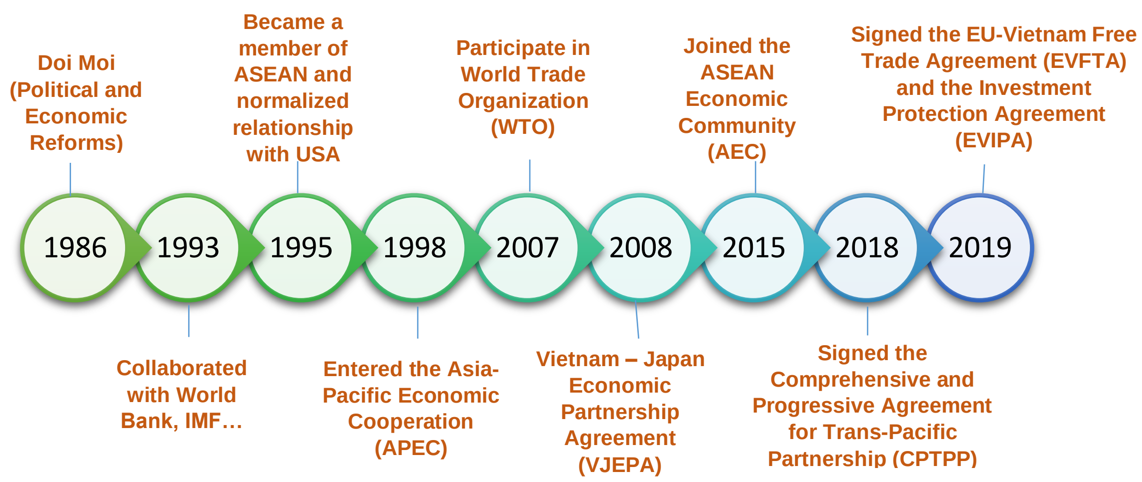

Figure 7 Timeline of the global economic integration of Vietnam (adapted from PwC Vietnam 2019b)

During the time the author was conducting the thesis, the coronavirus outbreak occurred suddenly and rapidly spread uncontrollably all over the world. Vietnam was one of the countries suffering from this global epidemic. In order to stop the spreading of coronavirus, the Vietnamese government ceased to grant visa to all foreign citizens (Vu 2020). Additionally, the authorities also put a number of main streets under temporary lockdown and commanded businesses to close early (Le 2020). People were advised to stay at home and avoid going to public and crowded places. Schools were closed and many employees were required to work from home or even laid off. As a result, the pandemic greatly affected the performance of the Vietnamese economy in particular and the global economy as a whole. In Vietnam, its major impacts were felt through the following elements: growth, investment, and trade, interruption of critical production, and a decrease in consumption of services and tourism. (Anh 2020.) Heavily wounded industries included textiles, footwear, aviation, and technology (Vietnam Financial Times 2020).

- Social

According to Countrymeters (2020), Vietnam has an almost equal ratio of men and women in its population, with the male population at 49.4% and the female population at 50.6%. The percentage of people under 15 years old is 25.2%, while the proportion of people over 65 years old is just 5.5%. A such, the population from 15 to 64 years old takes up to 69.3%. Figure 8 represents the proportions of different age groups and genders in Vietnam.

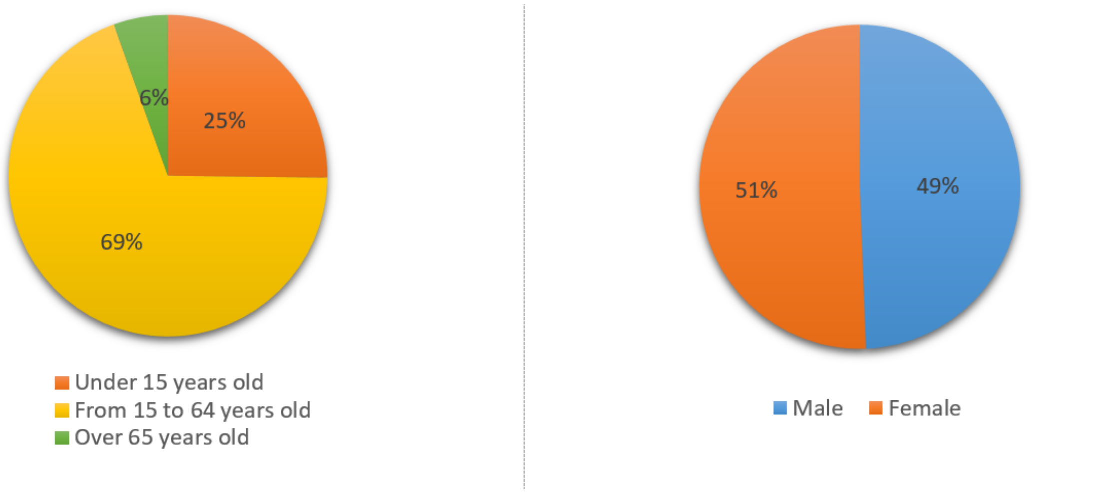

Figure 8 Vietnam age ratio and gender ratio (Countrymeters 2020)

In 2019, 37% of the Vietnamese population lived in urban areas, which translates to more than 35 million people. In 2020, this amount increased to over 36.7 million or 38%. The population density of the country is 311 people per Km_2 or 806 people per mi_2, calculated on the country total area of 310,070 Km_2. (Worldometer 2020.) Table 4 presents Vietnam population in six major cites, follow by the Vietnam population distribution map. As shown in Figure 9, the shade displayed corresponds to the magnitude of the population. The darker the shade, the higher the value.

Table 4 Vietnam population in major cities (City Population 2019)

Population in major cities of Vietnam	
Ho Chi Minh City	7,021,000
Hanoi	3,471,000
Da Nang	988,561
Hai Phong	841,000
Bien Hoa	807,000
Can Tho	804,000

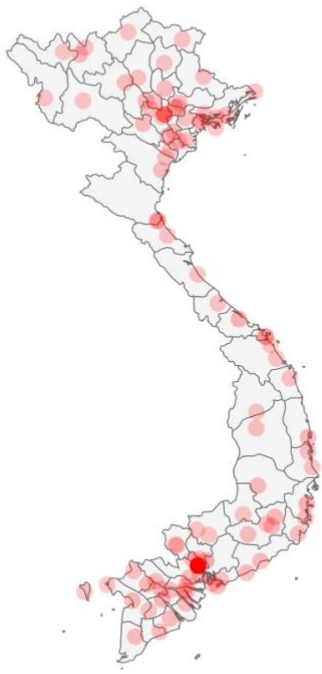

Figure 9 Population Distribution in Vietnam (World Population Review 2020)

According to World Bank (2019b), the total number of people present in the labor force in Vietnam was over 57 million, and the participation rate was estimated at over 76%. Particularly, 42% of these people had work related to agriculture, 35% were involved in services, and 23% participated in the industry. In 2007, Vietnam joined the World Trade Organization (WTO) and since then the national structure for labor sources has changed speedily. The demand for skilled workers has increased from 10 to 15% in recent years as more foreign companies have entered the market. However, the increased rates of basic to averagely skilled occupations still exceeded that of highly skilled job positions. On the contrary, elementary works fell dramatically from 61.7% to 39.98% with a 5.98% of decline rate every year and low skilled labor demand dropped swiftly partly due to constant improvements in educational policies implemented by the government. (Iris Data-Driven Agency 2019.)

In order to stay competitive, the Vietnamese government has implemented many essential reforms for the economy's most major sectors with the objectives of improving labor productivity, skills, and quality. The success of these efforts was proved by a rise of 22.5% in labor productivity since 2008 and in 2017 the labor productivity per employee was 93.2 million VND (4,159 USD). (Das 2018.)

The average monthly salary of an employee in Vietnam was 6.6 million (290 USD) in 2017, 9.3% higher than the earlier year (Das 2018). In particular, they usually spend 11% of their monthly income on clothes and footwear (Nguyen 2018a). Figure 10 shows monthly spending on different categories of Vietnamese people.

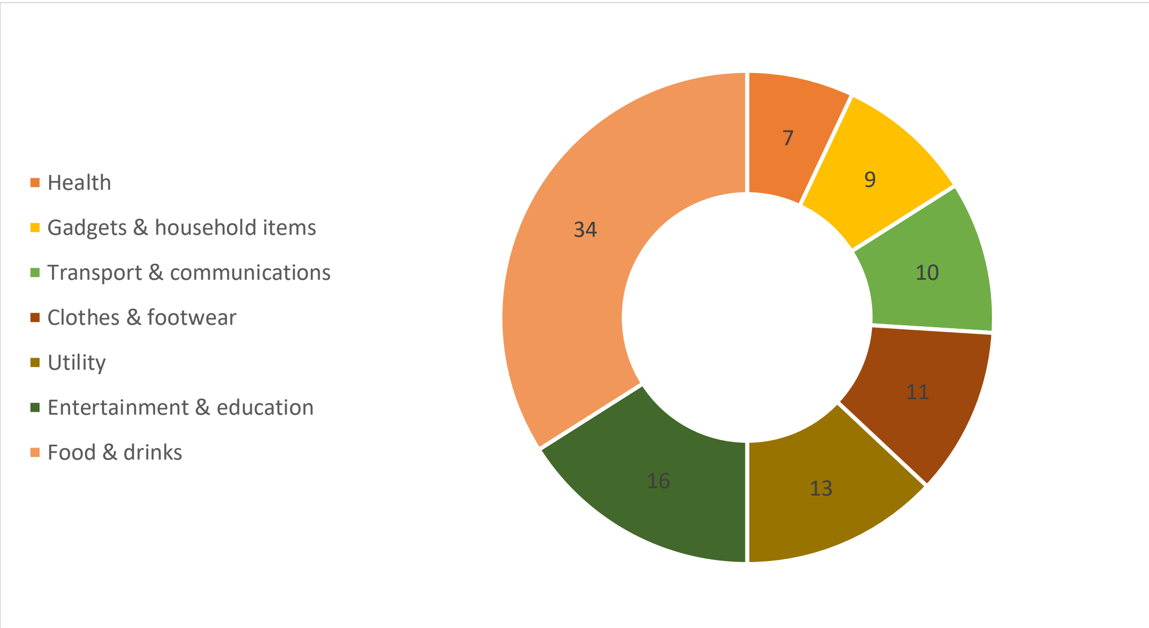

Figure 10 Monthly spending of Vietnamese people (adapted from Nguyen 2018a)

According to PwC Vietnam (2019b), the average salary per hour for people working in manufacturing is estimated to be $3 in 2020, while their counterparts in China can earn up to $6.5 per hour. Table 5 shows the median monthly wages in different cities and Figure 11 describes the average monthly salary of a typical textile manufacturing worker in different Asian countries.

Table 5 Median Monthly Salaries in Vietnam by cities (Vietnam Economic Times 2018)

Median Monthly Salary in Vietnam (USD)	
Ho Chi Minh City	$456
Hanoi	$407
Da Nang	$452
Binh Duong	$444
Bac Ninh	$421

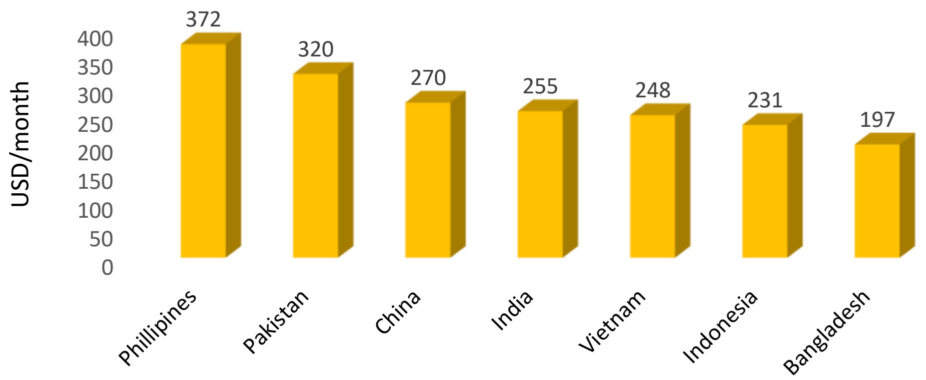

Figure 11 Average monthly wages of a manufacturing worker in different Asian nations (Hoang, Nguyen & Duong 2019)

- Technological

In 2019, 64 million Vietnamese used the internet, of which 94% used the internet daily and 6% used at least once a week (Brands Vietnam 2019). This number jumped to 68.17 million people in January 2020 (Hootsuite 2020). According to Hootsuite (2020), there were 65 million active social media users in January 2020. Although there are many mobile applications, Vietnamese people still spend 65% of the total time they dedicate to phone usage on four certain applications, namely Facebook (31%), Youtube (13%), Messenger (11%), and Zalo (10%). As a result, media companies are incentivized to use Facebook and Youtube more, and these channels have therefore become information centers. Vietnamese people also use social networks and SMS text more than websites and emails. Over 90% internet users participated in social networks and texting, and the time they spent on social media channels is five times higher than that on websites. (Phuong M, 2019.)

Vietnamese people usually spent 6 hours 30 minutes every day on the internet, of which 2 hours 22 minutes is spent on social media and 2 hours 09 minutes on television (Hootsuite 2020). Thus, television advertisements and social media networks are efficient making stream through which a company can build brand visibility and brand awareness, learn more about the target audience, and build a connection between its brand and the consumers.

Although a high percentage of people use smartphones, payment via phone applications or other usages of digital financial services, are not yet prominent in Vietnam. The amount of people who use payment apps accounted for only 12% of total smartphone users (Phuong M, 2019). Only 30% of adults have a bank account, 4.1% of which had a credit card and 21% made online payments (Hootsuite 2020). In general, the Vietnamese still prefer to use cash as the main payment method.

Although the development of the internet and technology has played a vital role in business operations, many retail enterprises in Vietnam have yet to fully utilize technological advancements to optimize resources, reduce costs, and reinvest. The Big C supermarket chain, for example, has only started to apply technology several years ago. In a survey with more than 1,000 respondents who are shop owners, entrepreneurs of small and medium businesses, 30% of them still used written papers to manage their operations, almost 60% used Excel files, only a few enterprises knew how to apply technology in their sales through multi-channels. (Nhanh 2018.) It can be said that most retail businesses in Vietnam still operate in the traditional way. In other words, it is a big market full of opportunities for any foreign companies that already have an existing system of highly technological operation to invest in.

- Legal

As Foreign Direct Investment (FDI) plays a vital role in Vietnam's external economic affairs, the government is striving to become a more and more attractive market to overseas investors by continuously enhancing policies and institutional infrastructure with regard to business and investment (Nguyen 2013). Specifically, the authorities have improved the legal system, established better incentives and taxation regulations in favor of international investors, and attempted to uphold its commitments in accordance with the world community (Nordea Trade 2020).

Foreigners are authorized to do business in Vietnam through both direct and indirect foreign investment. Direct investment means an individual or an organization from a foreign country can fully own a business in Vietnam or partake in joint ventures with a Vietnamese business. On the other hand, when a foreign person or company buys shares of a Vietnamese enterprise or invests in stocks and funds, it is considered as indirect foreign investments. (Angloinfo Vietnam 2020.)

Before opening a business in Vietnam, a foreign company is required to supply four types of legal documents: a certificate of incorporation, a company charter or articles of association, audited financial statements of the previous twelve months, and valid personal identity cards or passports of any of the business' legal representatives. (Angloinfo Vietnam 2020.)

A foreign company has two options for storing money when doing business in Vietnam: deposit its money in a foreign currency account of a Vietnamese bank or convert that money into Vietnam Dong. Restrictions may be imposed when transferring the money out of the country if the purpose of transferring does not fall under one of the following six categories:

❖ Payment for imported goods and services.

❖ Payment by overseas investors for:

  - investing or reinvesting capital returned from business investment in Vietnam
  - primary and interest on exterritorial loans and credits
  - other legal benefits.

❖ Payment for employees' travel grants.

❖ Payment of wages to Vietnamese employees working abroad.

❖ Payment of wages and other statutory income to foreign employees.

❖ Payment of wages to the board of management of foreign capital companies. (Angloinfo Vietnam 2020.)

- Environmental

The environment in Vietnam, in general, is polluted. Hanoi, its capital city was ranked the seventh most polluted city in the world by AirVisual in 2019 (Nguyen 2020). This is due to many factors, including gas exhaust, industrial production emissions, inefficient waste disposal, construction of buildings, contaminated natural water resources, littering, etc. The primary causes are that the environmental consciousness of Vietnamese people is still low, manufacturers are irresponsible, and the government has not set sufficient punishments for individuals or organizations that are harming the environment.

In some regions, people were furious enough to speak out against the production activities of some local factories that dispose of their industrial wastes in reckless manners (Do 2019).

A Hongkong apparel and textile company, Smart Shirts, was fined 138 million VND (5800 USD) for excessively and repeatedly releasing poisonous chemical wastes into the environment (Ngoan 2019). However, not all companies are penalized for their environmental damages for some reasons. Chau Giang textile company, for example, contaminated the air with incinerated wastes, but was strangely ignored by the authorities (Doan 2019).

Unlike many other countries in the world, retail businesses and supermarkets in Vietnam offer free plastic bags to all buyers. As a result, the amount of plastic wastes is unimaginable. Typically, 35 plastic bags are consumed per week by a household and for all households, this number adds up to 938 million bags per weekly (Nhien 2019). Using plastic bags in everyday life's activities has become a habit and eventually a culture in Vietnam. Disposable plastic bags are considered to be convenient and free by Vietnamese and that is why there are very few people who bring their own bags when going shopping. (Nguyen 2018b.) However, there have been several prominent changes regarding the replacement of plastic bags implemented by retail businesses recently. For instance, many supermarket chains have started using leaves to wrap vegetables instead of plastic wraps (Quynh 2019). According to Brands Vietnam, 86% of Vietnamese consumers are willing to pay more for products and services that have positive impacts on the environment (Uyen 2019). This shows that Vietnamese people have heightened their awareness of environmental protection.

3.3 Porter's Five Forces Analysis

This sub-chapter describes the competitive environment within the Vietnamese garment and textile industry using Porter's five forces model.

- Threat of New Entrants

Firstly, the threat of government restrictions on the industry is considered to be low since all kinds of investments in the textile industry are promoted. However, due to an increasing amount of industrial wastes and emissions from the dying activities carried out large textile factories in recent years, policy barriers have been set slightly higher.

Secondly, capital and technology requirements are moderate. For small to medium-sized businesses, the costs for setting up textile and apparel shops are low. Specifically, the cost of renting a street-front business premise with an area from 10 to 300 m_2 in major cities is 5 million to 50 million VND/ month (200 – 2000 USD/month). For larger shops with an area from 300 to 500 m_2, the price can go up to 250 million VND/month (10,000 USD/month). (Batdongsan 2020; Cho Tot 2020.) The cost of buying goods from suppliers depends on the size of the businesses, ranging from 50 million to 1 billion VND and more (2,000 – 50,000 USD). Also, the costs for setting up the facilities, installing management software and other equipment are from 30 to 50 million (1000-2000 USD). (Sapo 2019.) For establishing a textile and apparel factory in Vietnam, the capital and technology requirements are relatively high because of the expensiveness of initial investments in the production chain, hiring employees, setting up facilities, buying equipment, and other fixed assets are high.

Thirdly, the great number of textile suppliers and traders existing in the area allows small to larger-sized businesses to have easier access to input materials as well as to distribution channels and customers.

All in all, the entry barriers to the garments industry in Vietnam is assessed to be moderate.

- Threat of Substitute Products or Services

The threat of substitute products or services is considerably high due to the low costs of switching from one product or service to another. At the same time, the Vietnamese apparel market is filled with wide ranges of products with different prices and quality. Customers' tendency of switching products following shifts in income, trends, age, etc. is also high. (Bui 2014.) Despite constant marketing efforts, it seems difficult for brands to maintain customer loyalty nowadays because there are many choices available in the market. In addition to big brands and specialized shops, markets are common shopping places that offer a colossal amount of similar products made by domestic textile companies or imported from China at much lower prices. Nevertheless, international brands can always compete with local brands and markets by taking advantage of their reputation, product quality and distinctiveness, and high-class services. (Hang 2020.)

- Bargaining Power of Buyers

Given the huge size of the young to middle-aged demographic in Vietnam, the consumption power for all categories including clothing is strong. However, the market has been supplied abundantly with many different choices of design, quality, service, and price. Vietnamese consumers are fairly price-sensitive due to low incomes and a prevalent bargaining culture when shopping. The costs to attract new customers and to advertise are significantly high. The costs of advertisement grew three times more expensive within a decade, but the conversion rate was still low (Mai 2019). Digital media advertisement has been forecasted to reach 323.6 million USD in 2020 (VTV 2018). A 30-second advertisement on main TV channels in the golden hour frame would cost from 40 million to 90 million (1,500 – 3,500 USD) in 2019 (Garden Media 2019).

In general, the power of buyers in Vietnam is slightly high.

- Bargaining Power of Suppliers

Input suppliers for the apparel industry in Vietnam are plenty but there is only a certain level of differentiation between themselves. The information revolution brought forth by the new era has created enormous opportunities for raw material suppliers to reach their potential buyers and vice versa. Thus, companies would find it easy to search for suitable vendors and the costs for changing to substitute suppliers are not high. Moreover, due to a high volume of suppliers and broad provision of information, the exclusivity of suppliers is low. All these factors weaken the bargaining power of suppliers. However, this statement seems to be accurate only when inputs are imported from China, South Korea, and Taiwan - the main suppliers for Vietnamese manufacturers. Manufacturers are forced to self-produced raw materials or buy them from domestic suppliers or suppliers from the country members of the CPTPP in order to meet the criteria for product origin and benefit from the tax deduction agreement. (Bui 2014.) As a result, the bargaining power of domestic suppliers is stronger. Figure 12 shows a list of main importers for the Vietnamese apparel industry in 2019.

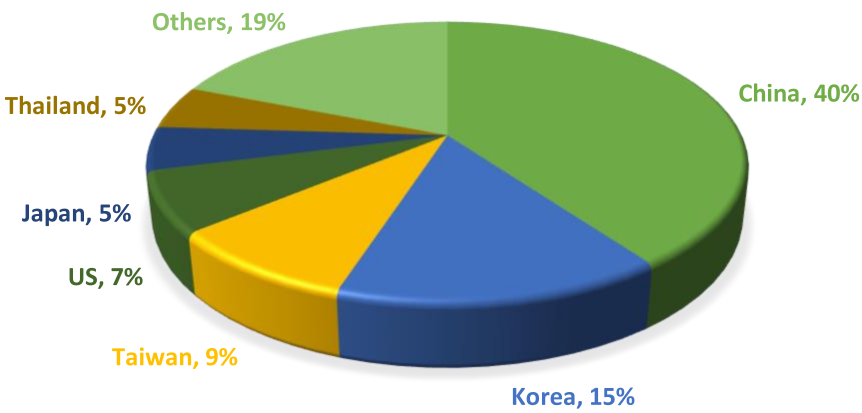

Figure 12 Vietnamese textile and apparel industry’s major import market (PHS 2019)

- Rivalry Among Existing Competitors

Although the market demand for clothing in Vietnam is remarkably high, the market supply is also at an astounding level. There were 6,000 textile businesses in this Southeast Asian country in 2019, 5,101 of which were apparel companies, taking up 85% of the total market, 780 were dying and fabric manufacturers, seizing 13%, and the 119 firms that produced yarn and fiber, occupied the remaining 2%. (PHS 2019.) However, these firms target mainly overseas markets as most of their products are exports and many of them are B2B enterprises.

On the other hand, the amount of small to large-sized retail garment businesses in Vietnam is huge. Big brands' stores and local smaller shops are located in shopping malls, on both minor and major streets, in intersections, and other convenient places.

In conclusion, it can be said that the competition among rivals within the market is noticeably intensive.

3.4 Vietnamese Textile and Apparel Market

- **Apparel Market**

The apparel market revenue in 2020 was 6.147 million USD with an annual growth rate of 7.6%, so the country was ranked 40th globally in term of apparel market volume. Women's apparel occupies the biggest segment with 3.064 million USD in market revenue. The average revenue per capita is 63.15 USD in 2020. The market volume in terms of garment items also grows gradually every year. To be specific, the total units of women's clothing produced in 2019 was 423.1 million, while for men it was 243.2 million and for kids 429.8 million. It was predicted that an increase to approximately 483 million items would happen for women apparel, 281 million for men, and 477 million for kids. The median price per item of clothes is 5.58 USD in 2020 and is estimated to be 6.45 USD in 2023. (Statista 2020a.) Figure 13 shows the shares of apparel segments' market turnover and Figure 14 displays the price per piece of apparel from 2012 to 2023.

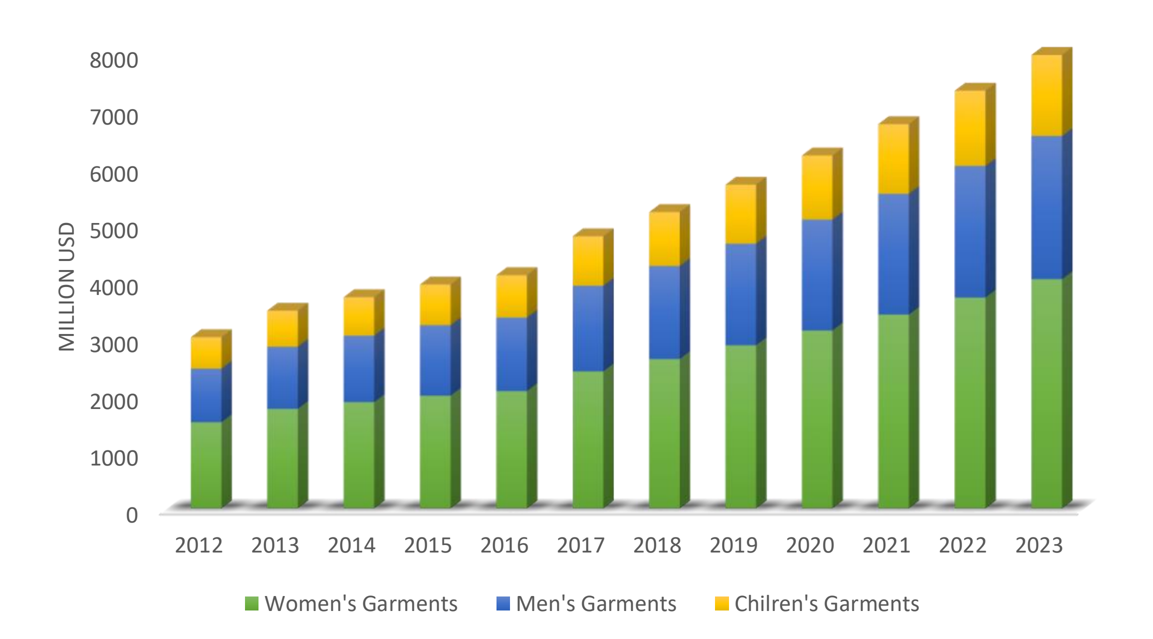

Figure 13 The volume shares of apparel market turnover in Vietnam from 2012 to 2023 (Statista 2020a)

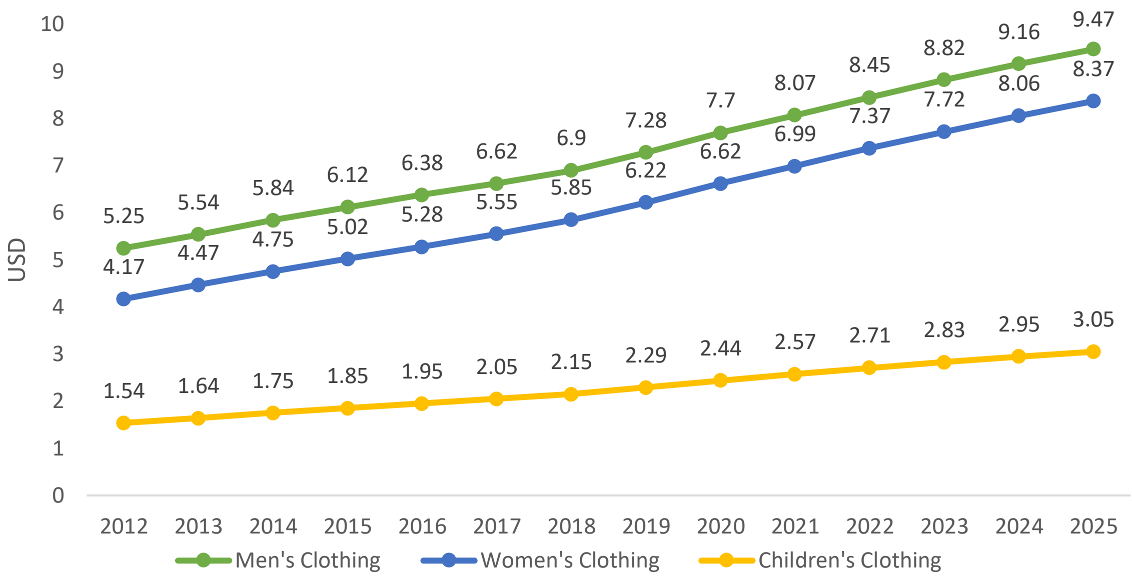

Figure 14 Average price per clothing item in USD in Vietnam from 2012 to 2023 (Statista 2020a)

Online Shopping

The technological revolution 4.0 has changed drastically every aspect of people's lives on a global scale and at a rapid speed. It has clearly impacted all economic and social areas, creating an abundance of opportunities for many industries, especially the retail industry. In Vietnam, the technological transformation has improved the standards of services: more diverse, more efficient, and quicker. In 2018, the amount of people shopping online on a regular basis in Vietnam was 23 million, accounting for 1/3 of the total expenses of eCommerce in Vietnam (Nguyen 2018). Fashion and beauty were the most purchased product category for online shopping in 2019 (Hootsuite 2020). Juno.vn and Zara.com were the two most profitable direct-sales eCommerce stores in 2019 with net sales of 36.8 million USD and 15.2 million USD, respectively. (Statista 2020b). Shopee, Sendo and Lazada are the prominent online shopping platforms in the country. In 2019, Shopee had almost 38 million visits to its official website while Sendo and Lazada have over 27 million (iPrice 2020). Big Vietnamese and international apparel brands like NEM, Canifa, Zara, or Adidas, for instance, also allow their customers to shop directly from their official local websites.

Offline Shopping

Although online shopping has been a beneficial sales channel for the retail industry, in-store sales are still the dominant channel. According to Statista (2020a), from 2017 to 2020, offline shopping accounted for over 90% of total usage of sales channels and this trend has been anticipated to remain stable for the next few years ahead. The majority of revenue share in the market belongs to non-luxury clothing, which has firmly taken up a proportion of more than 97% throughout the years.

International Brands

A number of international fashion brands have entered the Vietnamese in recent years. Some of the big players are Zara, H&M, Uniqlo, Pull&Bear, Stradivarius, Gucci, Louis Vuitton, Chanel, Hermès, and Massimo Dutti. Consumer perception of these brands is high since they are all internationally reputable. Their presence is always welcomed even prior to the establishment of their local stores in the country. An example can be seen from Image 2, when Uniqlo opened its first store in Ho Chi Minh City in 2019, 2000 people lined up outside the shopping mall where it is located on the grand opening day (Lai 2019).

Image 2 People queueing up outside the first Uniqlo store in Vietnam (Lai 2019)

A living proof that Vietnam is a potential market for foreign brands is Zara. At the end of 2016, after four months of opening its first store in Vietnam, Zara's revenue was 321 billion VND (13.7 million USD) or approximately 2.8 billion VND per day (1.1 million USD). This number went up to almost 950 billion VND (40 million USD) in the first six months of 2018. After one year of arriving in the Vietnamese market, H&M's revenue also reached 322 billion VND (13 million USD) in the first six months of 2018. (An & Linh 2018.)

- **Textile Market**

Vietnam was among the countries greatly affected by political and economic conflicts between big economies, especially China and the United States. However, the Vietnamese textile and garment industry still managed to maintain its growth rate in 2019. Although the total value of exported textiles did not meet the expectation of 40 billion USD, the industry still experienced an increase of 7.55% compared to 2018. The imported textiles value was approximately 22.38 billion USD, increasing by 2.21%. The value of imported textiles for export purposes reached 19.26 billion USD - 4.96% higher than the earlier year. The domestic value of exported textile commodities grew by 10.19% to 19.73 billion USD. The trade surplus was 2.25 billion USD more of that of 2018, reaching 16.62 billion USD. (PN 2019.) Figure 15 shows the shares of major export markets of the Vietnamese apparel industry in 2019.

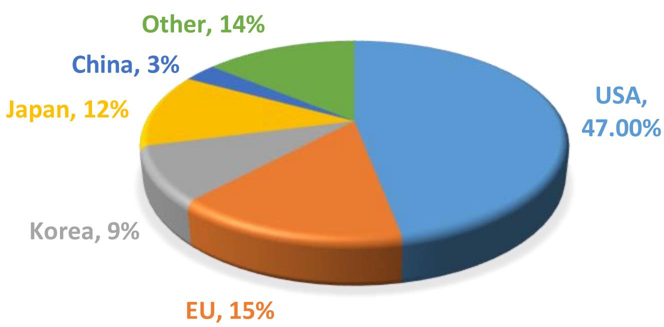

Figure 15 Vietnamese textile and apparel industry’s major export markets (Hoang et al. 2019)

Despite being able to keep up with the expected growth rate, the Vietnamese apparel and textile industry so far is facing many challenges. Vietnam depends heavily on other countries in the area for importation because 80% of fabrics are imported. Moreover, China is not a member of the CPTPP. This leads to the reality that Vietnamese apparel and textile enterprises must be able to handle the whole process of apparel production by themselves including creating fibers, spinning fibers, weaving to finishing fabrics and tailoring if they want to be eligible for tax incentives of the EVFTA and CPTPP for exporting products. (Le & Do 2019, 70-72.)

On the other hand, the industry still leans on outsourcing production and low labor costs. These two factors are deemed to be unsustainable because outsourcing production always gravitates toward countries with cheaper labor costs, while the average salary of manufacturing workers is increasing. (Le & Do 2019, 70-72.) Figure 16 below displays the imported value of textiles from 2013 to 2019.

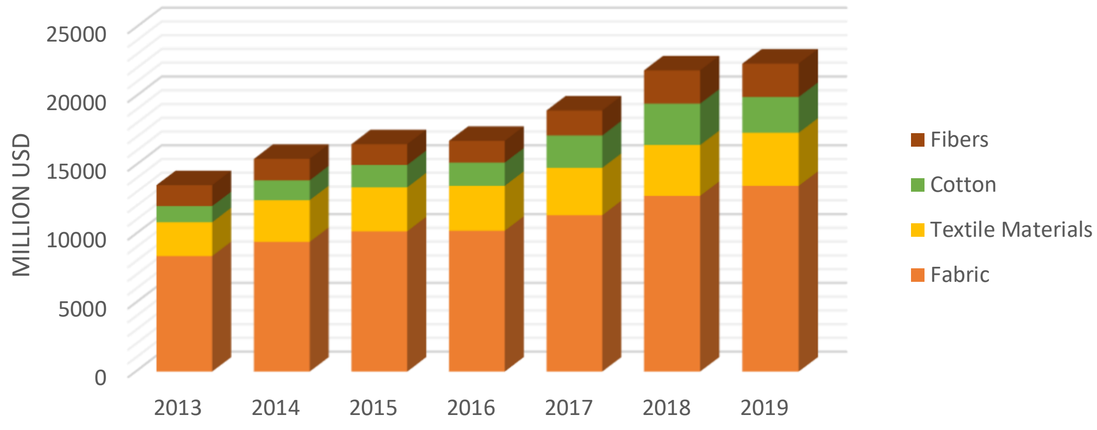

Figure 16 The imported value of textiles in Vietnam from 2013 to 2019 (Le & Do 2019, 70-72.)

3.5 Consumer Analysis

Consumer study is a crucial part of doing business because it provides companies with information regarding their consumer's needs and wants so that they can develop appropriate marketing strategies to generate more profits and sales. (Suttle 2020.) In this sub-chapter, the behaviors of Vietnamese consumers and the fashion styles of Vietnamese women are briefly inspected.

Vietnamese Consumer Behavior

The consumption behavior of Vietnamese people has changed. Brand loyalty level is low and people's purchasing decisions are increasingly influenced by advertisements, discounts and the availability of numerous choices in the market. (Anh 2019.) Vietnamese people are thought to trust, and fancy products originated from Japan, USA, Korea, or Thailand, because the outputs produced by these countries have been known to have high quality, trending designs and trademarks. In fact, unlike in the past when price and sale were the two most important criteria in the formation of purchasing decisions, quality and safety of usage are now the prerequisite factors for Vietnamese people, followed by transparent product information, convenience, and brand reputation. (Phuong U, 2019.)

The percentage of domestic product consumption dropped to 22% from 70% after merely one year. Not to mention factors such as unique product features, the reason for a growing preference for foreign products among Vietnamese people stems from the psychology of wanting to show off to others. (Linh 2018.) It was estimated that there would be 33 million people belonging to the middle class in 2020. With the median monthly income of 714 USD, these people are independent of personal and pleasure expenses. Generally, Vietnamese consumers usually spend their left-over budget on shopping for apparel. (Nguyen 2016; BMI 2020.)

According to Phuc (2014), cultural trends, higher social class aspiration, and power of expense are the three factors with the most influence on the culture of expense, shopping methods, product styles, and the prices people are willing to pay. Famous brand recognition changes people’s consumption behavior. To some people, the popularity of luxuriousness of the shops is a crucial part in their decision-making process regardless of their level of income. 56% of the Vietnamese population is under thirty years old and a portion of these people is especially susceptible to brand products. They tend to be fond of sharing what they have used, what brand it is, and how its condition is. However, being generous with expenses does not equal not being prudent in spending. This technology era allows people to easily and quickly access information on a product, search for things they want, and compare results before deciding to purchase a product somewhere.

The region of living also has an affect on the consumers behaviors. Particularly, the behaviors of Northern consumers differ from those of their Southern counterparts. Money Lover (2020) has compiled several interesting examples of this behavior disparity as listed in Table 6.

Table 6 The difference in the consumption behavior of Northern and Southern Vietnamese consumers in general (Money Lover 2020)

Northern People	Southern People
Loyal to favorite brands	Open to new concepts
Attracted to sale	Not much influenced by marketing
Indecisive in shopping	Decisive in shopping
Shopping according to plan	Shopping impulsively
Focus on product appearance	Prioritize product value

Ecommerce is becoming more and more familiar to Vietnamese people, especially young adults. Social media channels have become increasingly popular for online shopping in Vietnam nowadays. Facebook and Instagram are the two social networks with the most impacts on the purchasing decisions of Vietnamese users, in which 96% of them said

Facebook is the inspiration for shopping and the proportion for Instagram is 71%. On a related note, video marketing contents attract the most attention. 59% of consumers are drawn to videos about family. Videos about gifts, holidays, or friends are favorable particularly at the end of a year. 64% of consumers' purchasing decisions are formed on the basic of marketing videos showing authentic products. Videos made by reputable brands or influencers also have a critical influence on consumers' buying decisions. In addition, 94% of consumers tend to buy at shops that are easy to communicate with via text messages. For them, chatting services are the most convenient platform where they can find more information about the products or the shipping policies, or simply place an order. (Ky 2020.) Figure 17 shows the levels of attractiveness of different factors that can increase the chance of purchasing apparel in e-commerce.

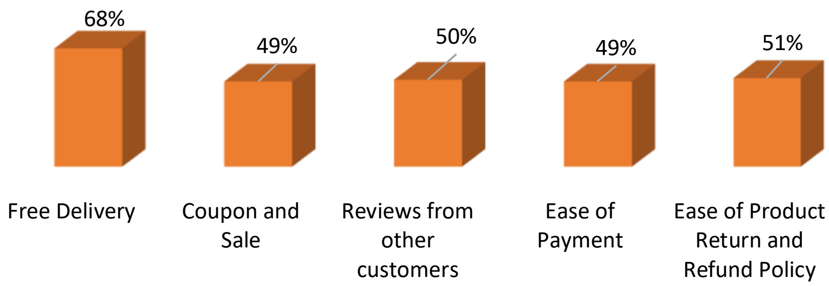

Figure 17 Factors encouraging the chance of purchasing apparels for online shoppers (Ky 2020)

Vietnamese Women's Fashion Styles

Unlike the previous generations, millennials in Vietnam is now highly fashion-conscious. Although the majority of the Vietnamese population live in the countryside, smart devices and internet access allow everyone to update and share fashion trends easily. If the previous generations usually wore traditional costumes or simple and discreet clothing, young adults nowadays are open-minded to more fashion concepts and stay up to date on world trends. Fashion is an endless topic, especially women's fashion. People usually dress differently depending on the occasion. However, Vietnamese women tend to wear classy but voguish clothes that are discreet but still promote their charm and elegance (Image 3).

Image 3 Classy Vietnamese women’s fashion styles (Eva 2020)

Vietnamese fashion styles are heavily influenced by Korean ones. This is because the Korean culture has become overwhelmingly familiar to Vietnamese through Korean dramas, TV shows and music over a long period of time. (Ha 2019.) At the same time, Vietnamese women also adopt styles from Western countries and follow global trends. Their fashion taste seems to be free and open, showing characteristics of independent and active modern women (Image 4).

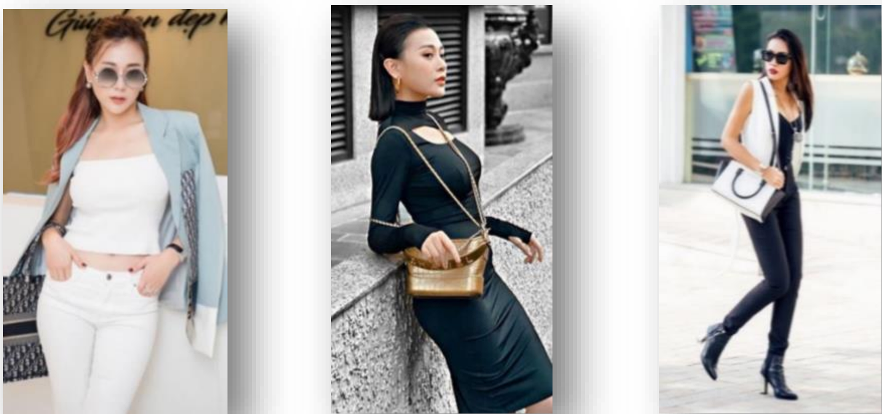

Image 4 Modern Vietnamese women’s fashion styles (Eva 2020)

Vietnamese’s Average height and weight

Vietnamese people, in general, are smaller in frame than people from other countries, especially Westerners. In a survey with more than 3000 online respondents, 21.7% chose being fit as the second, reason why more and more Vietnamese people are eating healthier (Phung 2017). Being fit is very important to Vietnamese, especially Vietnamese women. In

Vietnam, the average weight for men is 58.4 kg and for women, it is 50.8 kg. The average height for men is 164 cm and for women is 153 cm. Comparing to Finland, an average male is 180 cm in height and 86.2 kg in weight, while an average female is 166 cm tall and 70.8 kg heavy. (WorldData 2020.)

When H&M arrived in Vietnam, their products were considered to be fairly large to Vietnamese people's typical body size. XS, S, and M are frequently the three most purchased sizes. (Cong 2017.) Significantly, sizes of clothing in Vietnam are usually one size smaller than in Europe and the USA due to smaller body frames (Tran 2016). For the reasons, Marimekko should also consider petite sizes for the Vietnamese market. Petite sizes are customized to fit women from 5 feet 4 inches and under (162,52 cm) (Darnell 2019). In a nutshell, by studying the height and weight of Vietnamese people, Marimekko would be able to produce clothes with more body measurements suitable for the target market.

3.6 Competitor Analysis

The Vietnamese textile and apparel market is already filled with a copious quantity of local retail businesses. On top of that, many domestic and international companies have joined the market in the past decade. In this sub-chapter, a competitor analysis is performed by inspecting big domestic brands and local businesses. Analyzing competitors helps Marimekko to understand the market it would be operating in and have better strategies to compete in the market.

3.6.1 Big Brands

- **NEM**

NEM was founded in 2002 by Truong Viet Binh whose initial objective was to design and manufacture France-inspired women apparels. Starting as a small local business on Hang Luoc street in Hanoi, NEM then grew big enough to open a total of 90 stores across Vietnam, mainly in Hanoi and Ho Chi Minh city. In 2017, after being involved in the scandal of replacing foreign products' labels with theirs and amassing a debt of over 100 billion VND (4.2 million USD) the company was bought by Stripe International Inc, a Japanese fashion retail brand who also owns another renowned women's bag and accessories brand in Vietnam – Vascara. (Minh 2018; Huong 2020.)

NEM publishes on its official website that 500 designs are created by the company every month. The company is also known to sell men, children apparel and accessories; however, customers can only shop for women's clothing and accessories on its website, the men and children ones are not yet available. The brand also has another official website used for blogging about trends and other fashion-related topics. NEM's product prices range from 300,000 to 3 million VND (13 – 130 USD), but mainly under 1.5 million VND (65 USD). The brand usually has many products on sale. Products at NEM are diverse but mainly for women from 20 to 50 years old, including dresses, trousers, trench coats, vests, jackets, jumpsuits, blouses, T-shirts and skirts. (NEM 2020.)

- **Elise**

Elise was founded in 2011 by Luu Nga, a former financial specialist. The company has 95 stores in Vietnam, three main manufacturers, and thirty exclusive material processing companies, producing almost 3 million units per year. Elise was bought by Asia Fund, a Japanese corporation under Advantage Partners. Elise's target customer group is 20 to 45-year-old women. This market segment has been estimated to worth 2 billion USD in 2022 with a growth rate of 30% annually. The goals of Elise are to double store quantity and quadruplicate revenue in the next four year. (Huong 2020.)

The range of products at Elise is not as wide as that at NEM. It mainly focuses on dresses and skirts. Product price, in general, is higher than at NEM, ranging from 500,000 to 2.5 million VND (22 – 110 USD), but mainly over 1.5 million VND per item (65 USD). (Elise 2020.) Elise is well known for its role as the exclusive apparel provider for several most-watched TV shows in Vietnam such as Miss Vietnam, the Voice, the Remix, Project Runway, Fashion Star and Vietnam's Next Top Model. (Tin Tuc Lao Dong 2020).

- **IVY moda**

IVY moda was founded in 2005 by Vu Anh, an entrepreneur formerly doing business in transportation and hospitality. IVY moda's motto is to help customers achieve a modern look and confidence with its distinctive and trendy products. The brand chose Son Tung MTP, a famous singer in Vietnam with a particular style of fashion and personality, to be its brand ambassador. IVY moda focuses on the diversity of products with a desire to offer pieces of garment that are most suitable for wearers' appearance and personality. IVY moda's product lines include women, men, and children's apparel, ranging from blouses, T-shirts, vests, jumpers to jeans, trousers, bikinis, bags, footwear, and accessories. IVY moda has four product concepts: IVY moda – trending fashion, IVY You – streetwear fashion, Senora – prom fashion and IVY Accessorize. Product price at IVY moda ranges from 400,000 to 4 million VND (17 – 170 USD), but mostly over 1 million VND (45 USD). The company also has a wide variety of products on sale at decent prices. (Diep 2012; IVY moda 2020.)

In an interview by the company's CEO, IVY moda is said to have prepared itself for the entries of foreign brands to the Vietnamese apparel market. Its growth strategy has been developed with these prospective competitors in mind in order to compete once they join the market. (Diep 2012.)

- **Chic-Land**

Chic-Land was founded in 2005 by a fashion designer, Ngoc Thanh. With a humble start, after two years, the Chic-Land brand has become officially established in Hanoi. Nowadays, the company's stores are situated all over Vietnam, including Hanoi, Ho Chi Minh City, Haiphong, Ha Giang, Hue, and Da Nang. Its objective is to become the leading fashion brand in Vietnam and Asia. Chic-Land focuses on office fashion for women. (Chic-Land 2020a.)

Product ranges at Chic-Land vary from vest, trench coat, shirt, dress to trousers, skirt, scarf, and footwear. Price at Chic-Land is, generally, higher than the average market price, ranging from 400.000 to over 6 million VND (17 – 260 USD), most products are over 1 million VND (45 USD). Its fashion concepts are supposed to signify the brand's modern, fresh and elegant spirit and the luxurious lifestyle. In 2019, the brand became more known for its industrial expansion into the hospitality sector. A Chic-Land hotel was opened in Da Nang. (Chic-Land 2020b.)

3.6.2 Local Businesses

The number of small to large-sized local retail businesses selling clothes seems to be uncountable. They can be easily found anywhere in Vietnam. Most of these shops' products originate from China or Thailand, some of them are made in Vietnam, and only a few of them are designed and tailored. Apparels are bought from wholesale markets in Vietnam, China or Thailand. Dong Xuan and Ninh Hiep are two big apparel wholesale markets in Hanoi, while in Ho Chi Minh City, there are Tan Binh and An Dong markets. Most of the apparel products in these markets are imported from Guangzhou - China or manufactured in Vietnam. To reduce costs, some people travel to China or Thailand and import goods directly from the original wholesale markets over there; however, it requires an adequate level of experience to do this since they need to know about customs duties and how to transport a large number of goods back to Vietnam. (KiotViet 2020.)

Although the scale of these shops is not large, they are still threating to international brands because their products are cheap with tolerable quality and acceptable designs. In order to compete with one another, a lot of these are constantly improving the quality of their customer services, interior and exterior store designs, and marketing strategies to attract more new customers (Image 5).

Image 5 Inside a local shop in Vietnam (Aeros 2020)

Due to the demand for brand products and that a lot of people are willing to pay two or three times higher than the list price, a number of apparel retail businesses in Vietnam act as an intermediary reselling clothes of foreign brands. Some international brands have not been presented in the Vietnamese market yet, giving a big opportunity to local and online retail shops to make profits as resellers. These shops mostly use Facebook to advertise their services. Some of them receive a lot of likes and good reviews. Image 6 shows an example of a popular online resale shop in Vietnam that order authentic apparel and footwear from the UK and USA.

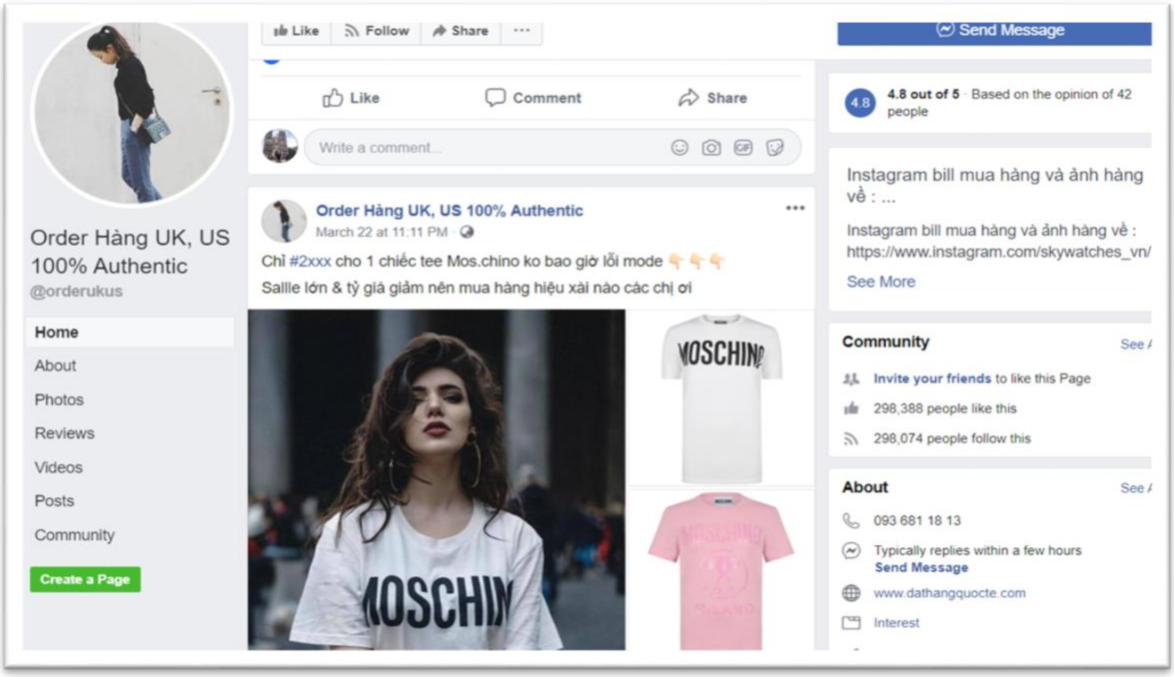

Image 6 An online resale shop in Vietnam (Facebook 2020)

The way these shops work is that they gather all the orders from their customers at the same time and then place a big order for their business partners abroad. Next, these overseas partners place the orders on the brands' online shopping channels or buy them in stores. When all apparel units are ready, they are posted to Vietnam. Resale shops then receive send these to the customers, thus fulfilling their orders. Figure 18 illustrates the ordering process when shopping at a resale shop in Vietnam.

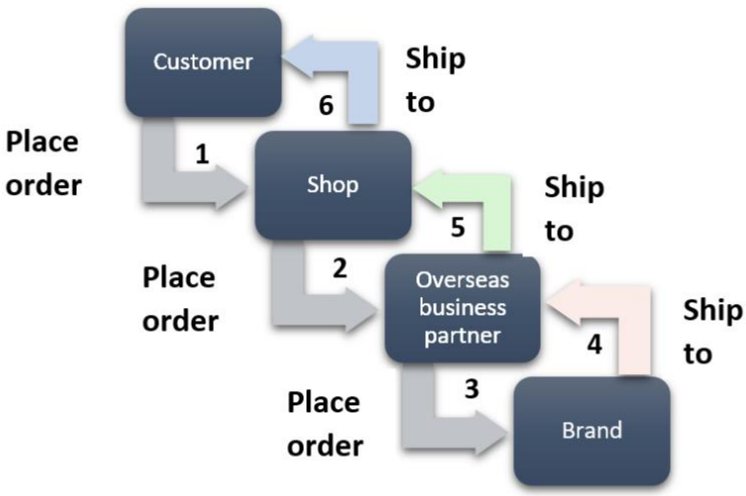

Figure 18 The process of ordering through a resale shop in Vietnam

Some people prefer to place tailoring orders at dressmakers with their body measurements and design preferences. It is unofficially believed that each Vietnamese woman owns at least one tailored product in her closet. Although it costs time and money to receive a completed product, a lot of people is still keen on doing it this way. Given this demand and supply, many local markets are selling fabrics in Vietnam (Image 7).

Image 7 Soai Kinh Lam textile market in Ho Chi Minh City (VnExpress 2019)

There are different prices for various fabric types but in general, they are quite inexpensive. For example, a meter of cotton fabric is sold at approximately 100.000 VND (4 USD) or a meter of velvet fabric costs 75.000 VND (3 USD). Fabrics in these markets are usually diversified in designs and types. Their origin varies from China, Korea, Japan, India, etc. Each kiosk specializes in several types of fabrics but mostly are burlap, spandex, cotton, and chiffon. Such markets also supply fabrics for many shops in the areas and surrounding regions. (VnExpress 2019.)

4 EMPIRICAL RESEARCH AND DATA ANALYSIS

4.1 Marimekko Introduction

Marimekko was founded by Armi Ratia, the founder and also the creative director of the company. Marimekko means “Mari’s dress” in English. The company is well known for its original fabric designs and colors which form a bold and special identity for Marimekko. The story of Marimekko began when Armi and Viljo Ratia held their first fashion show in 1951. The purpose to demonstrate their clothing designs made from textiles that were printed by their company - Printex. Later, Marimekko was sold to Amer Group in 1985 and then to Kirsti Paakkanen in 1991. (Marimekko 2020a.)

The product category of Marimekko includes high-quality clothing, bags and accessories as well as home decoration items ranging from textiles to tableware. Nowadays, Marimekko has expanded to 40 countries around the world with approximately 150 stores, in which Asia-Pacific is one of the key markets. In 2019, the global brand sales of products reached 251 million EUR and the company’s net sales were 125 million EUR. For the 2018 – 2022 period, some of Marimekko’s goals are: extending product portfolio to attract more target audience, entering main markets through major cities, and becoming partner-led retailing in Asia. The brand itself set three different financial goals in which two of them are annual growth over 10% in net sales and 15% in operating profit margin. (Marimekko 2020b; Marimekko 2020c.)

4.2 Data Collection

Figure 19 illustrates the author’s data collection process

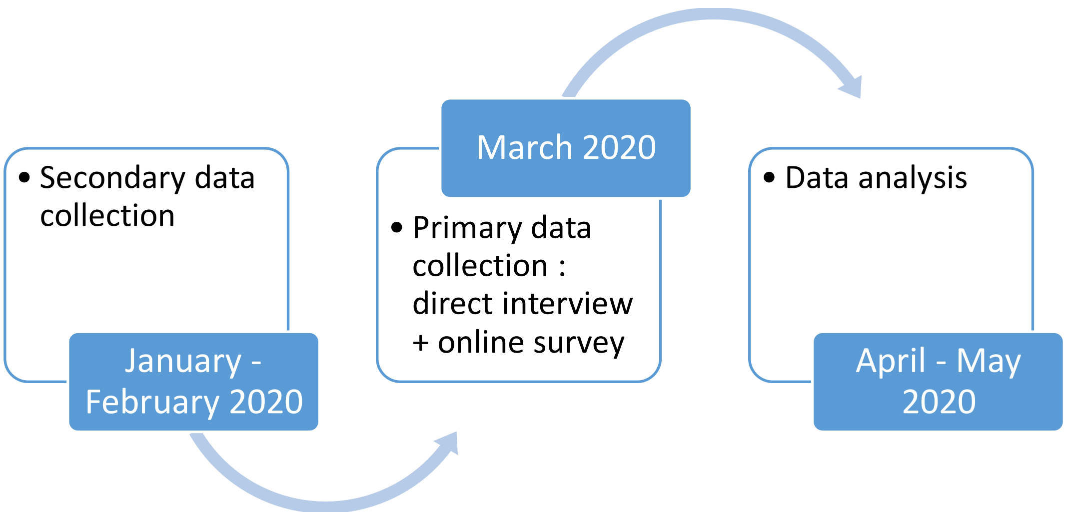

Figure 19 Data collecting process timeline

As mentioned in the first chapter, the thesis contains two types of data: secondary data and primary data. To collect secondary data, references were made to public hardcopy and digital copies of books, articles, dependents sources, etc. In March 2020, the primary data was obtained through direct interviews and an online survey. Both secondary data and primary data were used to strengthen the findings. Then, answering the research question - whether Vietnam is a promising consumer market for Marimekko.

- Questionnaire

Due to the convenience in collecting mass opinions on the given topic, questionnaire was employed to collect quantitative data for this thesis. Questionnaire can be understood as a type of interview with a list of written questions. This form of data collection procedure allows users to gather broad information from a large number of people quickly and easily. (McLeod 2018.) A plain and comprehensible list of questions is a determining factor for the success of the surveys as it helps respondents understand the subject under discussion more easily.

The thesis questionnaire has 14 questions written in Vietnamese since Vietnam is the target market of this research. It was live from 7 to 28 March 2020 on Facebook which the author has considered to be a social media channel efficient for reaching the target customer group. The survey was posted to groups focusing on shopping, fashion trends and styles, and other groups discussing wellbeing in general. A total of 171 answers were received by the end of the survey.

- Interview

Unstructured, semi-structured, and structured interviews are the three fundamental forms of interviews (Saunders et al. 2012, 374). Firstly, unstructured interviews are not based on any concepts or theories and conducted with little to no preparation. Open-ended questions are usually used in this type of interview. Conducting unstructured interviews takes time and efforts because the interviews rarely have a focus and cannot be controlled through a systematic arrangement of questions. (Gill, Stewart, Treasure & Chadwick 2008.) Secondly, semi-structured interviews are performed with a list of prepared questions regarding the topic. However, during the interview, the question order may be changed, or the number of questions may increase. At the end of the interview, all principal questions would be answered (Bryman & Bell 2011, 467.) This type of interview is suitable when the interviewer may want to obtain further information and interviewees may need some inspirations to develop their answers. Lastly, structured interviews are also conducted based on a series of prepared questions about a specific topic, but there are almost no changes to the questions during the time of interviewing. Thus, this type of interview can be conducted quickly and controlled easily. (Gill et al. 2008.)

In order to collect more specific information about the topic, structured interviews were used to gather primary data for this research besides questionnaire due to its nature of in-depth discussion and freedom of expression. On the other hand, as mentioned earlier in the first chapter, the target consumer group for Marimekko is mainly women between 25 to 65 years old. Employing questionnaire as the only data collection method is hard to reach middle-aged audiences due to their low level of activeness online. The interviews were structured in order for the author to reach the consumer in their 30's and above.

The interviews were conducted in person on the same day on 27 March 2020 in Ho Chi Minh City. In particular, five interviewees were chosen at random locations and it was at the convenience of both interviewer and interviewees that a conversation was allowed to be recorded. Prior to approaching, all five interviewees were selected based on their dressing styles and the author's prediction of their age, profession, and income.

4.3 Data Analyses

- Survey Questionnaire

As mentioned above, the survey included 14 questions. These questions consist of four parts. To begin with, the author looks into the demographic profile of survey participants. The first five questions of the survey mentioned the basic information of respondents such as their age, gender, region, profession and level of income. The second part demonstrates consumer behavior by asking for their monthly apparel shopping expenses and where they purchase them. Question 8 to question 11 are concerned about customer preferences. Particularly, the respondents were asked about their style, favorite brands as well as the factors influencing their purchase decision. At last, the survey ended with a few questions regarding Marimekko products.

Referencing the survey questionnaire, the results are presented in Figure 20 to Figure 30 as follow:

Question 1 and 2

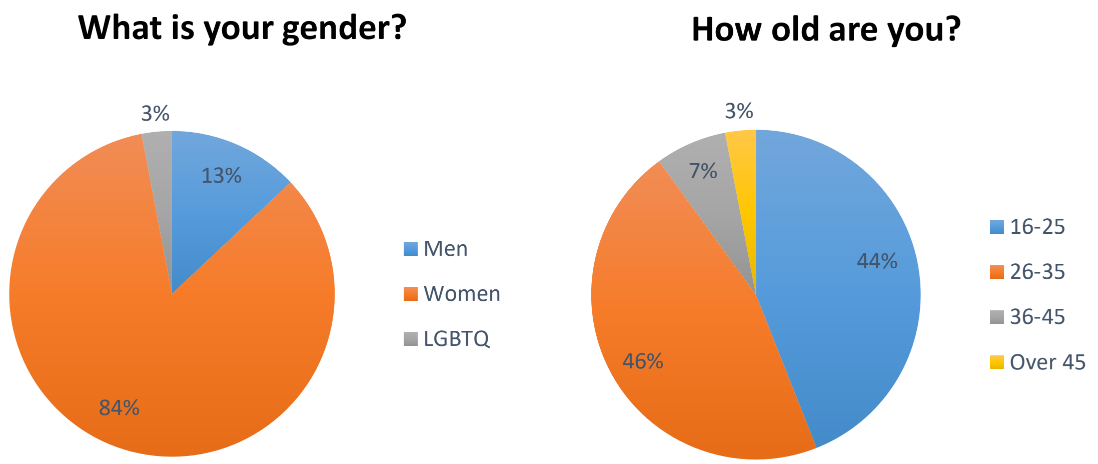

Figure 20 Questions 1 and 2 in the survey

Among 171 survey respondents, 84% are women, while men take up the rest 13%. The age group of 16-25 years old and 26-35 years old are the most dominant ones, accounting for 42% and 46% respectively. Only a small number of people over 35 years old took the survey.

Question 3 and 4

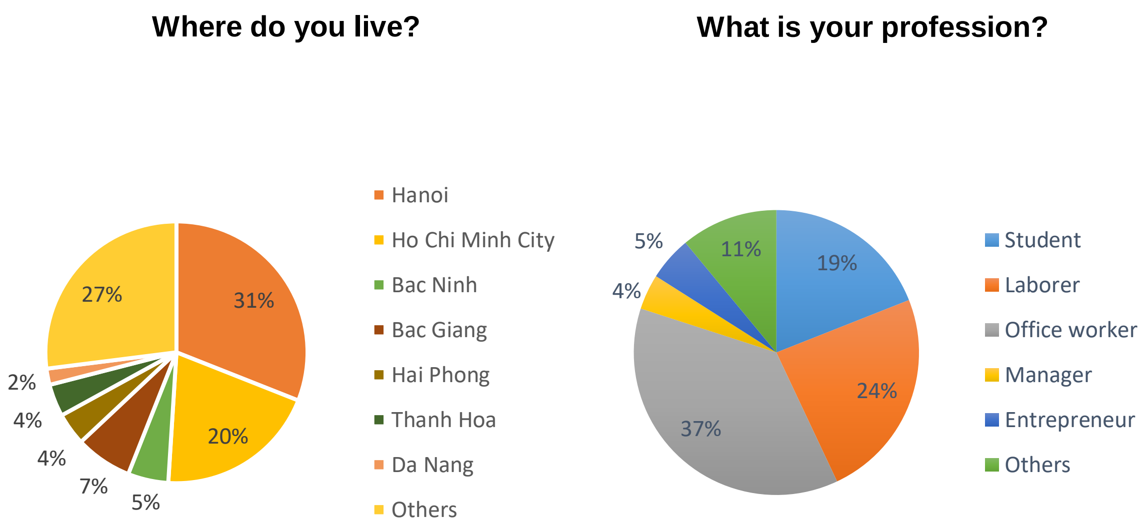

Figure 21 Question 3 and 4 in the survey

Over half of the respondents live in the two biggest cities, particularly 31% is in Hanoi and 20% is in Ho Chi Minh City. The remaining 49% responders live in other smaller cities such as Bac Giang 7%, Da Nang 2%, etc. Office workers account for the largest proportion - 37% out of all professions. Laborers and students follow behind at 24% and 19% respectively. Administrators and business owners share a smaller percentage, with the former accounting for 4% and the latter 5%.

Question 5

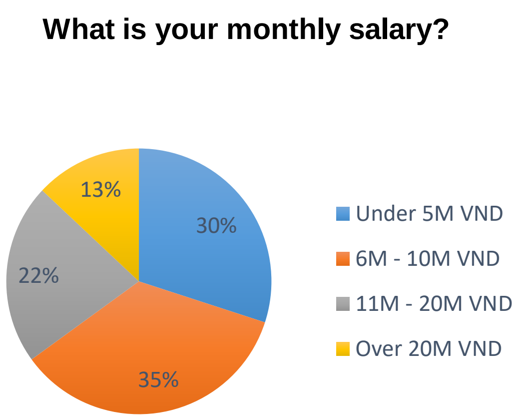

Figure 22 Questions 5 in the survey

The amount of people earning under 5 million VND per month is only 5% less than the group making 6 – 10 million VND (260 – 430 USD) per month which occupies a 35% share. 22% of respondents earn 11 – 20 million VND monthly. The people making the most money account for the smallest proportion of 13%.

Question 6

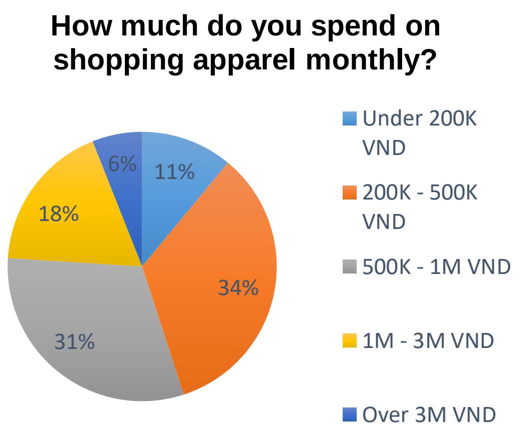

Figure 23 Questions 6 in the survey

It is clear that the participants mostly spend 500 – 1 million VND per month for apparel shopping which presents the two largest portions of 34% and 31%. Meanwhile, 18% of respondents usually give 1 – 3 million VND for their monthly apparel shopping expenses. People willing to spend over 3 million VND is undoubtedly the smallest, accounting for 6%.

Question 7

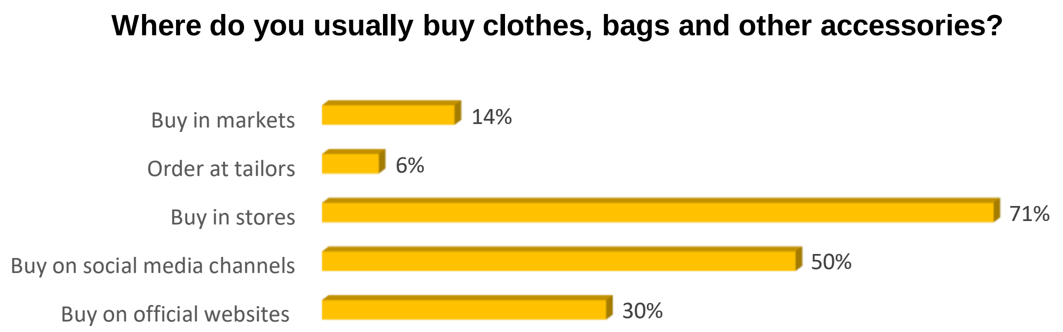

Figure 24 Question 7 in the survey

Brick and mortar stores are the most visited places as it was chosen by 71% of respondents. Social media shopping is the second most popular shopping option with half of the responders choosing it. Official websites are at third place in terms of favoritism with 30%. Surprisingly, apparel markets are no longer among the top choices for shoppers, taking up only 14%.

Question 8

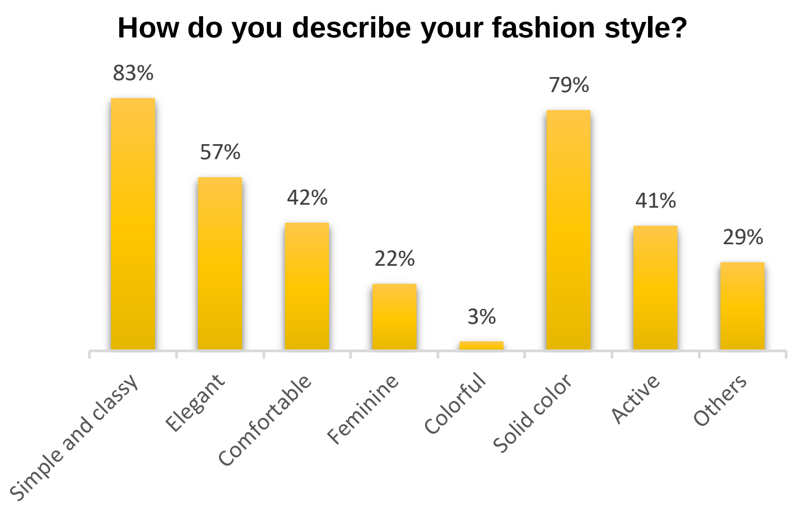

Figure 25 Question 8 in the survey.

Most respondents choose to wear simple clothes - 83% ticked the simple and classy option and 79% choose to wear solid-colored apparel. Elegant, comfortable and active styles are chosen by more or less half of the responders, accounting to 57%, 42%, and 41% respectively. Feminine styles are an applicable description of style for 22% while colorful styles are the least selected at 3%.

Question 9

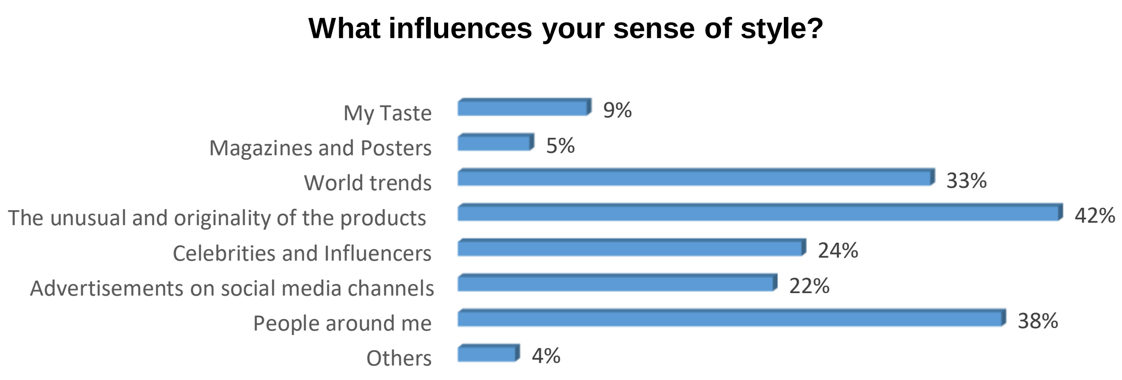

Figure 26 Question 9 in the survey

For 38% of the participants, influences from surrounding people play a major role in the formation of their fashion styles. However, the originality of the products proves to be the most impactful on people's perception of style as it has the biggest share out of all available options at 42%. Global trend remarkably leaves an impact on most people at 33%. Social media advertisements and famous people are also sources of style inspiration for Vietnamese people.

Question 10

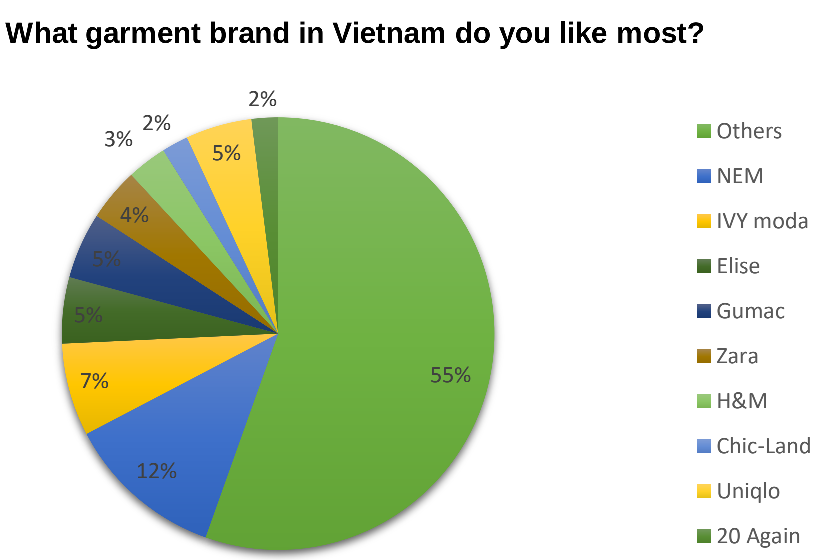

Figure 27 Question 10 in the survey

Although there are many big companies in Vietnam, 56% of respondents still prefer local small businesses when it comes to clothes shopping. NEM is the most well-liked brand in the country as selected by 12% of total people. Next is IVY moda with 7%. Elise, Gumac, and Uniqlo share the same proportion of 5% each, while Zara and H&M follow right after with 4% and 3% respectively.

Question 11

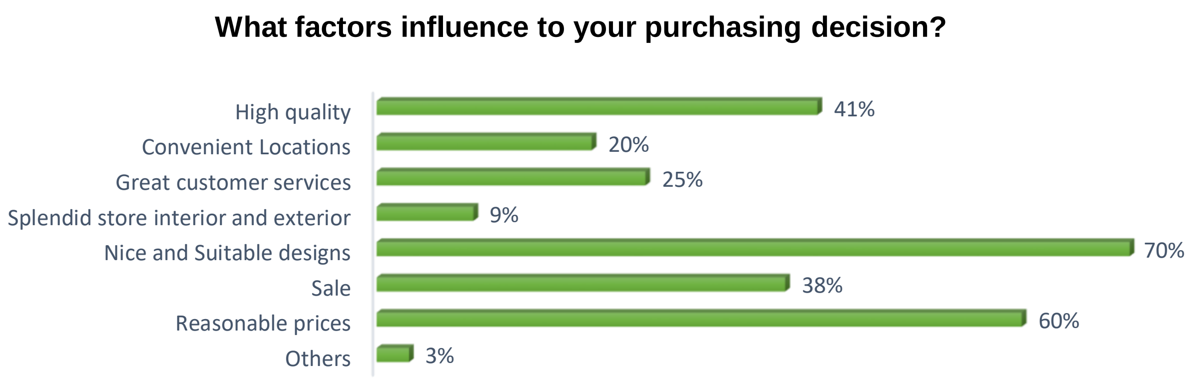

Figure 28 Question 11 in the survey

Seventy percent of Vietnamese consumers rely heavily on designs when deciding whether or not to make a purchase. The second most important factor is reasonable prices as selected by 60% of respondents. Quality products and sale are the next two most influential factors at 41% and 38% respectively. Excellent store design has the weakest effect on consumers' purchase decisions, merely takes up 9%.

Question 12

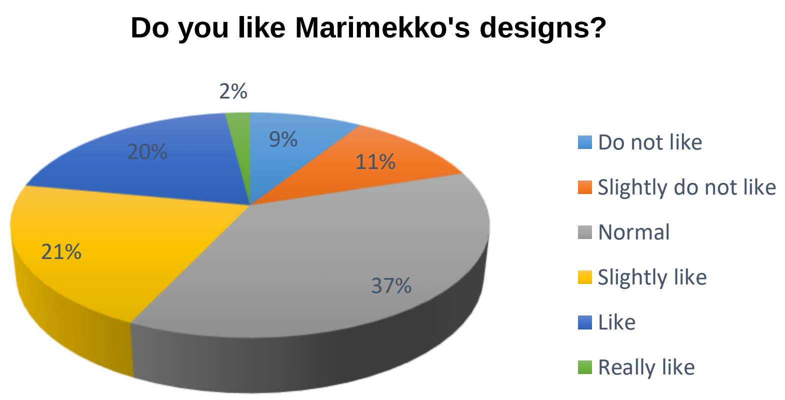

Figure 29 Question 12 in the survey

After being shown several Marimekko's best-selling products from interviewer's mobile phone (see Appendix 3), most respondents have a neutral stance about them, which is why neutrality takes up a share of 37%. The total percentage of people inclined to favor Marimekko add up to 43%, of which 21% chooses to "slightly like", 20% "like" and 2% "really like". Only 9% of respondents express negative feelings toward the products.

Question 13 and 14

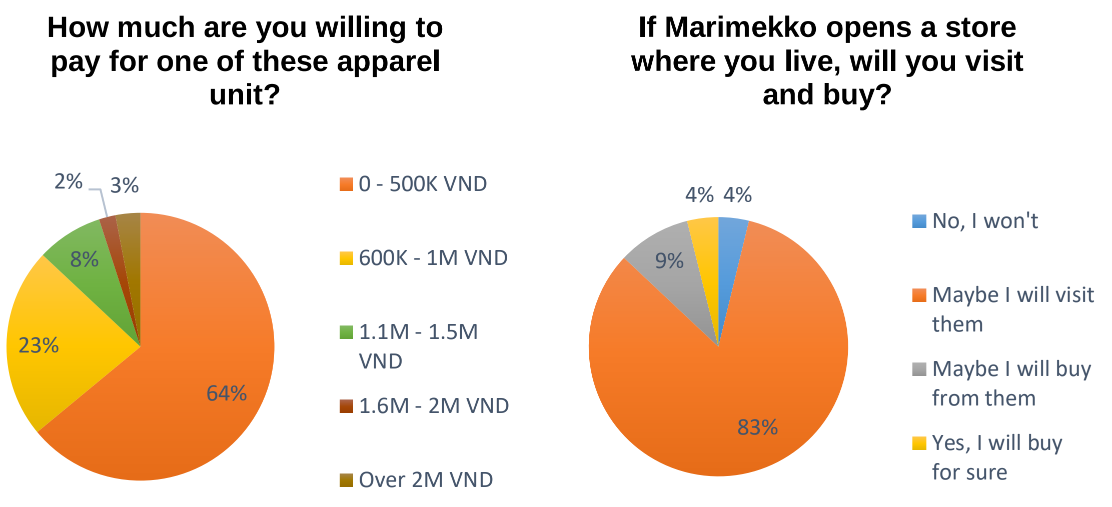

Figure 30 Question 13 and 14 in the survey

Sixty-four percent of respondents think they would pay one of Marimekko's products for up to 500.000 VND (22 USD). Twenty-three percent would pay a higher price for it – somewhere between 600.000 to 1 million VND (26 – 45 USD). Only a small amount of people is willing to pay over 1 million VND. The reasons for this might be attributed to their levels of income and the market prices. Nonetheless, the good news is that 83% of responders said they might visit Marimekko if a store was opened in Vietnam. Nine percent think they would purchase something from Marimekko in their first visit, while the percentage of people who are sure they would buy is 4%. Merely 4% out of 171 survey takers would not visit the store.

- Interview

Question 1: Please describe briefly the type of clothes you like to wear?

While Interviewee 1 (2020) prefers to wear feminine and captivating dresses as a singer, Interviewee 2 (2020) likes simple and sporty clothes since she is an insurance actuary. Interviewee 3 (2020), an event specialist, is keen on clothes with interesting and trendy designs, whereas Interview 4 (2020), working in the import and export field, has the same taste as Interviewee 1 (2020). Similar to Interviewees 1 and 4 (2020), Interviewee 5 (2020), a marketing manager, is fond of elegant and fashionable body dresses.

Question 2: Please tell me briefly about an apparel brand that you like? What is it? Why do you like it?

Talking about their favorite brands, Interviewees 1 and 5 (2020) have a soft spot for local tailors. “I like dresses made by Chung Thanh Phong because his designs are beautiful and unique”, said Interviewee 1 (2020). Having the same opinion as Interviewee 1 does (2020), Interviewee 5 likes to place orders at local tailors in accordance with her design preferences and body measurement. She said “My body is slightly skinny, so it is hard for me to find clothes that fit me. I also like to own clothes that are uniquely designed. That’s why tailors are still my preferred places”. From a different perspective, Interviewees 2 and 3 (2020) enjoy shopping at local shops because there is a variety of designs for them to choose from at reasonable prices. Unlike the rest, Interviewee 5 (2020) does not have any favorite place in mind, “as long as it is nice, I’ll buy”, she said.

Question 3: What do you think about international apparel brands in Vietnam? (Quality, price, service, design, store decoration, promotions, sale, brand name….)

Upon the author’s mention of international brands in Vietnam, 4 out of 5 interviewees immediately thought about Zara and H&M, only Interviewee 3 (2020) thought of Uniqlo and Charles & Keith. Interviewees 1 and 4 (2020) think that Zara and H&M have nicely designed clothes with decent quality, beautiful store décor, and good customer services. Prices, however, are considerably high, even during sale off periods. Interviewees 2 and 5 (2020) agree with the previous two interviewees, except for product designs. “I don’t think their designs are suitable for Vietnamese women”, said interviewee 5 (2020). Interviewee 3 thinks that in terms of quality, price, design, service, décor, and sale, Uniqlo and Charles & Keith are the leading international brands in Vietnam.

Question 4: What do you recommend to international apparel businesses in Vietnam as a customer?

Interviewees 1 and 5 (2020) said that international companies should organize more sale-off events since discounted products are still expensive. Discussing further, Interviewee 5 thinks foreign products should adjust product sizes to fit with Vietnamese people’s typical body sizes since a lot of them are either too large or too long. From a different angle, Interviewee 4 (2020) said: “I am of the opinion that the fabric quality of their products does not justify their prices. I can buy many higher quality products made in China with better deals and more designs to choose from.” Additionally, Interviewees 2 and 3 share the same opinion that international brands should diversify their designs portfolios. “Many designs are available in foreign markets but not in Vietnam. They also need to select more suitable designs for the Vietnamese market” said Interviewee 1.

Question 5: What do you think about these kinds of designs? Would you buy it and what price you think is suitable?

Three people love Marimekko designs, whereas the other twos are not in favor of them. Interviewee 1 (2020) thinks that Marimekko’s products are interesting and elegant. She would buy them if their prices were to be under 2 million VND (87 USD). Interviewee 2 (2020) thinks the designs are eye-catching, suitable for all ages on many occasions. If these products were to be under 1 million VND (45 USD), she would purchase. Valuing Marimekko’s products more, interviewee 3 (2020) said she would be willing to pay approximately 3 million VND (130 USD) per product because she thinks they are unique with outstanding patterns.

Question 6: What do you think about the fashion trend in Vietnam nowadays?

All five interviewees, interestingly, have the same opinion about the current fashion trend in Vietnam. They all think that nowadays people prefer to wear clothes that are youthful and active while being influenced by celebrities, influencers in Vietnam and around the world.

Question 7: What do you think the fashion trend in Vietnam will be like in the near future?

While Interviewee 1 (2020) believes that there would be not many differences in fashion trends in Vietnam in the coming years since fashion nowadays tends to recycle the trends of the previous decades, Interviewee 2 thinks that trends would change towards multi-functional clothes which can be worn on more occasions. The remaining three interviewees are of the opinion that future Vietnamese fashion would be more diverse with up-to-date trends relative to global ones and more brands – both domestic and international, joining the market.

5 CONCLUSION

5.1 Answers to Research Questions

As mentioned in Chapter 1, the objective of this thesis is to develop a study of the Vietnamese market for Marimekko. In order to fulfill the goal of the research, the author created a main research question accompanied by six sub-questions. The table below shows the answer to these thesis questions.

Table 7 Findings

Research questions	Findings
Sub - question 1: How competitive is the target market?	Vietnam serves as the garment manufacturer for many countries in the world. Its advantage of being located near China and Thailand allows the domestic market to be filled with an enormous number of garments imported from these neighboring countries. At the same time, more and more international brands are entering the market. Domestic brands and local businesses are competing with those foreign forces and with each other for a bigger market share. Hence, to a certain extent, the target market is competitive.
Sub - question 2: What is the volume of demand?	Vietnam is a populous country with a huge number of open-minded young adults. People are becoming more and more concerned about their living standards, which drives the demand towards higher quality products with more beautiful designs instead of low-quality products at low prices. Although there are thousands of businesses in the supply side, a thirst for international brands remains because the market has been overwhelmed with Chinese products.
Sub - question 3: Does the target customer group welcome the presence of Marimekko in Vietnam?	Yes, they do. The results of the survey and the interviews show that nearly half of the target group is likely to enjoy Marimekko's products and would visit Marimekko if a store was to be opened in Vietnam. Some of them would

	even make a purchase immediately after seeing the products.
Sub - question 4: What are the entry barriers?	Lack of understanding about the market and the target consumer group may be a disadvantage of Marimekko. Unlike Zara, H&M or Uniqlo in the sense that their products have already been widely recognized in the market, Marimekko is not known to Vietnamese market in advance; therefore, it will take time and efforts for the company to build up brand recognition in the country.
Sub - question 5: What are the risks when entering this market?	The high degree of rivalry and limited knowledge of the target market could threaten the survival of Marimekko in Vietnam. At the same time, the threat of substitute products is always present since the market is flushed with millions of products every year. Furthermore, it is hard to protect the company’s intellectual properties because they can easily be copied by small local businesses for profits. Not to mention that since 70% of Marimekko’s products are manufactured in Europe, the prices are considered to be high if sold in Vietnam (Marimekko 2020d). For example, the Piiri Unikko, a woman dress that is sold on Marimekko’s official website in Japan, costs ¥44,000 (412 USD – 9.6 million VND) which is equal to over half of a monthly salary of a middle-class person in Vietnam (Marimekko 2020e). Thus, it may be possible that people would not accept the price range of Marimekko’s products due to their levels of income and low market prices.
Sub - question 6: What are viable strategies for Marimekko to enter the market?	Marimekko may collaborate with other international brands such as H&M, Uniqlo like it has done in other countries. These two partners are experienced, having entered Vietnam before Marimekko, and are widely recognized by consumers. It would be an easier and safer move for Marimekko to partner with these brands. Certainly, the continuous collaboration with Uniqlo since the first time in 2018 is an undeniable proof of

	Marimekko's success (Marimekko 2020f). They also have just announced the new collaboration for Spring/Summer 2020 (Uniqlo 2020). On the other hand, if Marimekko has a goal of expanding its market to many countries in Asia and reducing labor costs, being a business partner with a domestic apparel manufacturer or setting up a factory in Asia to supply the entire region are also strategies to be considered. Moreover, Marimekko can establish a franchise with the help of a corporation in the area, Mitra Adiperkasa (MAP), for example. MAP is the franchise partner of Zara, Pull&Bear, Stradivarius and Massimo Dutti. (MAP 2020.)
Research question: Is Vietnam a potential market for Marimekko?	Despite a fierce competition within the target market and a low level of existing brand perception for Marimekko, Vietnam is still a potential market for the company due to its large population, rising levels of income and better living standards, people's openness and admiration for international brands. However, to survive and thrive here, a thorough understanding of the market is a must. Last but not least, since its partners H&M and Uniqlo have only recently joined the market, Marimekko ought to wait and observe before making any moves.

5.2 Final Remarks

According to Perera (2017, 3), it is necessary to recognize the limitations to avoid inefficiency in the decision-making process based on the analysis outcomes. The PESTLE analysis has been limited to the external environment of a typical business in Vietnam. By using the PESTLE model as a tool to access the business macro environment (Gupta 2013, 13), the study explored the Vietnamese market conditions by analyzing the six elements including Political, Economical, Social, Technological, Legal and Environmental (PESTLE Analysis 2020). Therefore, based on the results deriving from the information that has been presented in the PESTLE analysis part of this thesis, Marimekko can evaluate the Vietnamese market, discover the market conditions, and build implementation plans accordingly. The findings show that Vietnam is likely an ideal environment for Marimekko to do business. This is grounded on several following facts.

Firstly, Political factors are decisions implemented by the government to intervene in the market and alter market dynamics. (University of Minnesota 2020; The University of Sydney 2020.) The authorities have established favorable tax policies for businesses including CIT 20%, low BLT, and VAT 10%.

Secondly, Economic factors including economic growth, interest rates, exchange rates, and inflation rates (University of Minnesota 2020) showing the economy of Viet Nam has been boosted significantly. Specifically, the country has reduced the percentage of poverty from 70% to under 6% in merely 16 years, GDP per capita grew 2.5 times, and a number of important trade agreements have been signed including the EVFTA.

Thirdly, Social factors represent the common beliefs and attitudes of a community including demographics, culture, and lifestyle (Professional Academy 2020; Investopedia 2019), 55% of the Vietnam population are from 25 to 64 years old and 38% of people are living in urban areas. Ho Chi Minh City and Hanoi are the two most developing cities in Vietnam in terms of population and economy. In fact, those are also the dominant living places of 58% of survey responders. As a result, Marimekko should consider penetrating the Vietnamese market through these cities. On the other hand, according to Nguyen 2018a, Vietnamese consumer usually spends 11% of the monthly income on clothes and footwear. In fact, the findings show that 65% of the respondents earning under 10 million VND (430 USD) per month and 76% spending under 1 million VND (45 USD) on clothing shopping every month. Therefore, Marimekko’s product price range is considered to be slightly high for Vietnamese consumers in general.

Fourth, Technological factors refer to the changes in technology and their implementation in life (Investopedia 2019), over 90% of internet users in Vietnam use social media networks and the total time spent online is 6 hours 30 minutes (Hootsuite 2020). The four most used mobile applications are Facebook, Youtube, Messenger, and Zalo (Phuong M, 2019). These are gold mines for Marimekko to approach and attract their target consumer through allocating marketing to these channels sufficiently.

Fifth, Legal factors are concerned with health and safety, equal opportunities, consumer rights and laws, advertisements, and product labeling (Professional Academy 2020), legal documents for opening a business in Vietnam are not complicated and the government has constantly improved the national legal system and established decisions that are in favor of foreign investors.

At last, Environmental factors refer to the demand for more ethical and sustainable operations (Professional Academy 2020). Due to changes in perception of environmental protection, products and services having positive impacts on the environment are welcomed by 86% of Vietnamese consumers.

Continuing with Porter’s Five Forces analysis, the findings indicated that the Vietnamese market is not only promising but also intensive at the same time. This statement is generated based on the combination of five forces on the business as follows.

First, the degree of rivalry is significant due to a large number of prominent domestic brands and local businesses. According to Porter (2008, 78-93), a company has less power when the availability of products and services extends, and the number of competitors increases, and vice versa. Thus, it can be said that the high number of rivals and the diversity of products and services weaken the power of Marimekko.

Second, the threat of substitutes is always visible since the Vietnamese market is abundantly supplied. This might limit the company's profitability to the ceiling prices of the substitute products or services. If Marimekko does not continuously develop product performance and marketing practices, its profitability and growth potential will be poorly affected. (Porter 2008, 78-93.) However, Marimekko has been well known for its original prints and colors, this would increase its power in the market since the products are unique and have no close substitutes (Chappelow 2020).

Next, the entry barriers are evaluated to be moderate due to stricter regulations toward industry waste and emissions, capital and technology requirements are moderate. As Chappelow (2020) stated, strong barriers to entry are the determining factor for an ideal market, the target market is therefore not attractive in this aspect. Nevertheless, strong financial bases and relevant proficiencies can allow new entrants to compete in the market by taking advantage of their available resources (Porter 2008, 78-93). Marimekko can have the confidence to enter the market by taking advantage of its strengths such as global reputation, unique product characteristics, existing resources, and supply networks.

Then, however, a large number of suppliers in the area which eases the process of accessing input materials for businesses, which also deteriorates the power of suppliers over the market. As a result, Marimekko’s power would increase over the costs of inputs and profit margins since the power of suppliers over profitability of the industry is weak and the costs of switching suppliers are low (Chappelow 2020; Porter 2008, 78-93).

Finally, the bargaining power of Vietnamese consumer is considered to be slightly high because of the strong market supply, limited income, and culture of bargaining in the country. Therefore, unless Marimekko aims to serve the high-class population in Vietnam, considering affordable prices for the target market is important. Owning strong power, Vietnamese consumers can push the company lower prices and provide better quality and service (Porter 2008, 78-93).

All in all, the target consumer group for Marimekko in Vietnam is people who belong to the age group of 25 – 65 years old and are considered to be living affluently. These people may have a good career in fields such as teaching, management, entrepreneur, business and general well-paid office occupations. In general, this consumer group is looking to improve their well-being in all aspects. By focusing to research thoroughly the main customer segment, it will allow Marimekko to understand its audience and dispense efficiently the resources to attract more of this target group.

From a personal perspective, the author believes that Vietnam is rather to be an ideal country for manufacturing than a profitable market to enter. Unless Marimekko could minimize its costs of the production chain, it is hard to maintain sustainably profitable retail business performance in Vietnam. The reason is that even though the number of the middle class is increasing, and the living standard has improved significantly, the income level of Vietnamese people is still low comparing to other countries such as Japan, Korea, Singapore, Malaysia, etc. On the contrary, Vietnam has a strong labor force and considerably cheap labor costs. Additionally, the country is giving foreign investors an ideal environment for doing business with favorable conditions. Moreover, China has been known to be the world’s manufacturer. However, the situation is now changing due to the pandemic and the trade war between China and the USA. Foreign companies are withdrawing from China and countries have started to lessen the dependence on this country. (Nakazawa 2020; Rapoza 2020.) Vietnam has maintained its neutral stance in the world’s politics and been able to keep the coronavirus outbreak under control. Thus, Vietnam is likely a great option for the substitute for China in the future.

5.3 Reliability and Validity

According to Bryman & Bell (2011, 157-160), reliability and validity determine the trustworthiness of the research outcomes. Reliability is the consistency of the research procedure, meaning that the same data inputs produce the same outputs. Validity indicates how accurately the research outputs reflects all the data inputs that they have been designed to measure.

As mention earlier in the first chapter, the thesis utilizes both primary and secondary data. While the secondary data was collected from reliable sources such as books, articles, journals, and reports, the primary data was obtained directly by the author by conducting face-to-face interviews and online surveys.

Firstly, all interviewees were strangers to the author and were selected at random locations. There were no rewards or pushes to compel interviewees to give expected answers. Thus, their answers are impartial and reflect what they truly think. Secondly, the survey for this thesis was uploaded online using Facebook as the ideal social media platform to reach the target consumers in Vietnam. Groups and pages of people having the same interests and concerns or having something in common are the target spots. A total of 171 respondents of the survey are the members/ followers of these groups and pages. The author remained anonymous during the entire progress and all respondents answered voluntarily without any offers of prizes of incentives from the author's part. Thus, the outcomes of the harvested primary data are reliable.

The survey was translated completely in Vietnamese to avoid any misunderstanding since the survey focused on people living in Vietnam and not all of these people can understand or speak English. All interviews were conducted in Vietnamese to ensure the naturality and freedom of expression. Answers gathered from the survey and interviews were cautiously recorded, interpreted and analyzed to ensure the primordial forms of data. Hence, the collected answers are valid. However, due to the small sample size collected for both the interviews and the surveys with the former having five participants and the later having 171 respondents, the validity of the study might be affected if applied to a larger portion. Additionally, as mentioned in the limitations sub-chaptered, the data collection procedures hardly reached the target consumer in different age groups equally since there were only 10% of respondents from 36 years old and over, whilst 16 to 35-year-old responders take up the remaining 90%. As a consequence, the data collected from the empirical research might affect the findings of this thesis to a certain extent.

5.4 Suggestions for Further Research

To conduct a successful and profitable business in Vietnam, knowledge obtained from this study is not enough. The author suggests several further researches that should be done below.

As mentioned previously, 90% of the findings are collected from Vietnamese people under 35 years old. Therefore, further research on this topic could be done with other target groups, for instance, woman from 35 to 65 as the dominant consumer or with a bigger number of respondents.

Secondly, more researches concerning product sizes, designs, fabric materials, patterns, and colors need to be conducted due to the differences in culture, body size, style, and climate. Although this topic has been covered in this thesis, it merely covered the tip of the iceberg since outfit fashion is a wide topic which requires taking many factors into account in order for suitable garment products to be developed.

Thirdly, several studies regarding doing business in Vietnam should be taken into consideration since the procedure of conducting business differs from country to country. Many elements in the process need to be considered - for instance, staffing, employment law, regulations, legal rights, contracts, taxes, licenses, and permits, etc.

6 SUMMARY

The thesis aims to develop a helpful and effective market study that will help Marimekko in evaluating the potential of the Vietnamese consumer market. It serves as the blueprint for the company to form the right decisions and suitable strategies to entry. To begin with, chapter 1 presents the thesis background and the research objective. A central question accompanied by six sub-questions is formed to help the thesis achieve its objectives. The thesis applies deductive research approach and uses both qualitative and quantitative methods to collect data. The secondary data is used to build the theoretical base and primary data is collected for the empirical analysis.

Chapter 2 and 3 covers the author's literature review. This thesis is done with the usage of PESTLE analysis and Porter's Five Forces models to study the macro-environment of the industry as well as the forces existing within the market. Then, the market study chapter illustrates a practical application of these theories through their utilization as tools for analyzing the market as a whole and in detail. As a result, Vietnam is proved to be a promising market for Marimekko. This statement is backed by a number of reasons. Vietnam is a country with extreme speed in all developmental aspects. The country has a large population with a strong labor force and high consumption power. 46% of the population are between 25 and 54 years old and over one-third of the population was anticipated to belong to the middle class in 2020. These people are the source of the labor force as well as the consumption power to the textile and apparel industry in the country. In addition, the demand for foreign products is considerably high in Vietnam and a number of international brands have already joined the market. On the other hand, the government of Vietnam has step-by-step signed the country name in many global trade programs and continuously established tax policies in favor of foreign businesses in order to boost the economy.

Chapter 4 is dedicated to the empirical research. It begins with a brief introduction to the case company. Then, explains why the data collection techniques of surveying and interviewing were employed. The statistics collected from the online survey are displays in pie and column charts, followed by the information procured from the interview and how it is analyzed to obtain useful facts. Particularly, the data collected from the empirical research chapter shows that the dominant responders are Vietnamese ladies under 35 living mainly in Hanoi and Ho Chi Minh city. Nearly half of the respondents are interested in visiting Marimekko stores if they were to be opened in Vietnam. However, the price range that most of these people are willing to pay for a Marimekko's product is considered low compared to

Marimekko's product price range. This is due to the facts of their limited income and tight monthly budget spending on apparel shopping.

Chapter 5 concludes the study. The main research question and all the research sub-questions that are formed at the beginning are answered. The result clarify that Vietnam is a potential market for Marimekko. However, it is not the right time for Marimekko to enter the Vietnamese market, unless they thoroughly prepare themselves and have what it takes to survive the intensive competition ahead. Last but not least, the reliability and validity are evaluated and suggestions for further research are also mentioned.

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APPENDICES

Appendix 1 Survey Questionnaire

Question 1: What is your gender?

- Men
- Women
- LGBTQ

Question 2: How old are you?

- 16-25 years old
- 26-35 years old
- 36-45 years old
- Over 45 years old

Question 3: Where do you live?

- Hanoi
- Ho Chi Minh City
- Bac Giang
- Bac Ninh
- Thanh Hoa
- Hai Phong
- Da Nang
- Others

Question 4: What is your profession?

- Student
- Laborer
- Office worker
- Entrepreneur

- Manager
- Others

Question 5: What is your monthly salary?

- Under 5M VND
- 6M – 10M VND
- 11M – 20M VND
- Over 20M VND

Question 6: How much do you spend on shopping apparel monthly?

- Under 200K VND
- 200K – 500K VND
- 500K – 1M VND
- 1M – 3M VND
- Over 3M VND

Question 7: Where do you usually buy clothes, bags, and other accessories?

- Buy in markets
- Order at tailors
- Buy in stores
- Buy on social media channels
- Buy on official websites

Question 8: How do you describe your fashion style?

- Simple and classy
- Elegant
- Comfortable
- Feminine
- Colorful

- Solid color
- Active
- Others

Question 9: What influences your sense of style?

- My taste
- Magazines and posters
- World trends
- The unusual and originality of the products
- Celebrities and influencers
- Advertisements on social media channels
- People around me
- Others

Question 10: What garment brand in Vietnam do you like most?

- NEM
- IVY moda
- Elise
- Gumac
- Zara
- H&M
- Chic-Land
- Uniqlo
- 20 Again
- Others

Question 11: What factors influence your purchasing decision?

- High quality

- Convenient locations
- Great customer services
- Splendid store interior and exterior
- Nice and suitable designs
- Sale
- Reasonable prices
- Others

Question 12: Do you like Marimekko's designs?

- Do not like
- Slightly do not like
- Normal
- Slightly like
- Like
- Really like

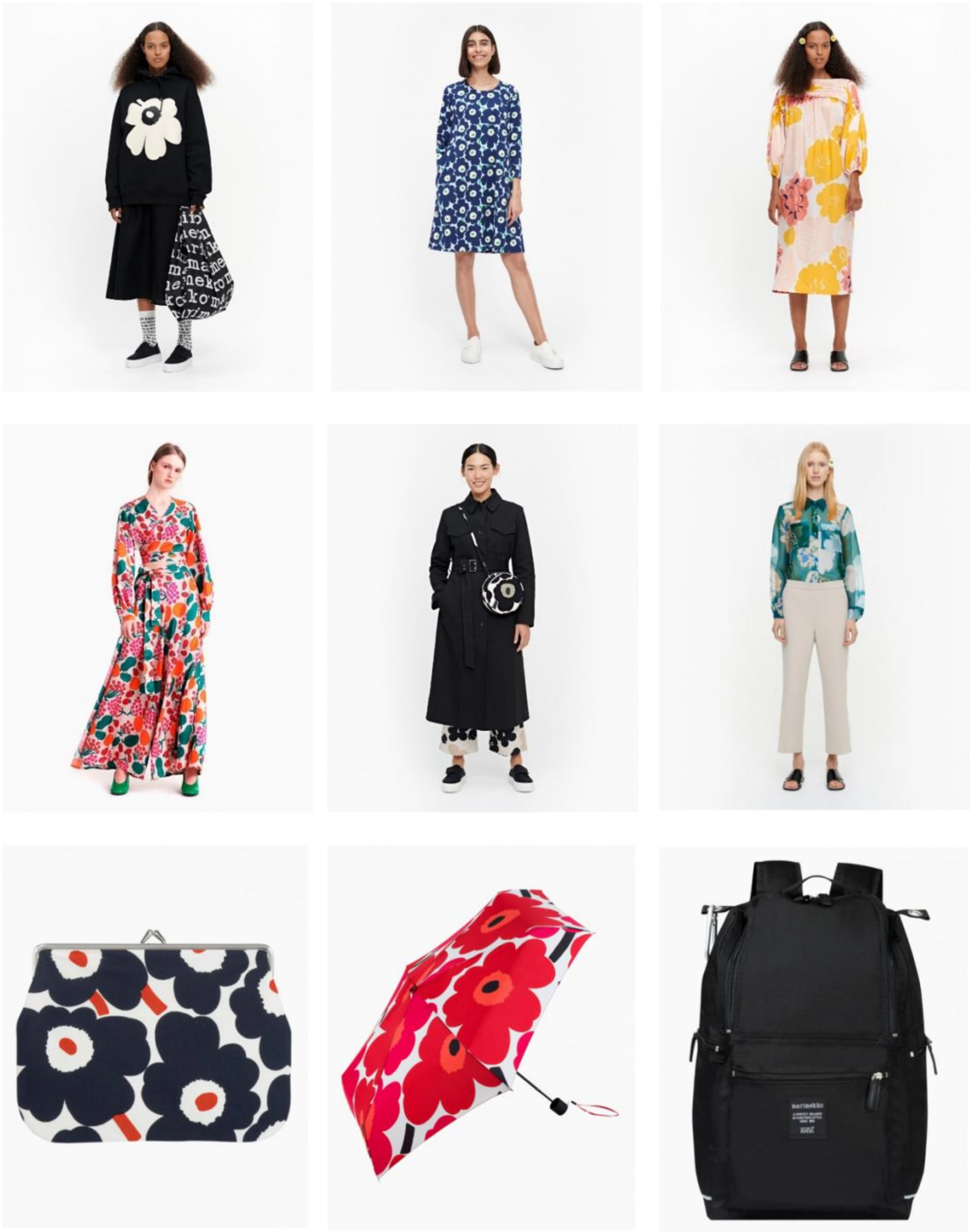
Question 13: How much are you willing to pay for one of these apparel units?

- 0-500K VND
- 600K-1M VND
- 1.1M-1.5M VND
- 1.6-2M VND
- Over 2M VND

Question 14: If Marimekko opens a store where you live, will you visit and buy?

- No, I won't.
- Maybe I will visit them.
- Maybe I will buy from them.
- Yes, I will buy for sure.

Appendix 2 Marimekko products (adapted from Marimekko's official website)



Appendix 3 Interview questions

- Question 1: Please describe briefly the type of clothes you like to wear?
- Question 2: Please tell me briefly about an apparel brand that you like? What is it? Why do you like it?
- Question 3: What do you think about international apparel brands in Vietnam? (Quality, price, service, design, store decoration, promotions, sale, brand name….)
- Question 4: What do you recommend to international apparel businesses in Vietnam as a customer?
- Question 5: What do you think about these kinds of designs? Would you buy it and what price you think is suitable?
- Question 6: What do you think about the fashion trend in Vietnam nowadays?
- Question 7: What do you think the fashion trend in Vietnam will be like in the near future?